



CITY OF DETROIT OFFICE OF THE OMBUDSMAN

"Your Link to Better City Government"

JOHN R. EDDINGS, CITY OMBUDSMAN

BUDGET ANALYSIS REPORT

April 20, 2004

"People Take Precedence Over Process"



April 20, 2004

HONORABLE CITY COUNCIL:

As you know, I have had the honor and privilege of serving the citizens of Detroit for the past ten years as City Ombudsman. My hope is that the Office of the Ombudsman has helped improve government in the City of Detroit, as well as assist countless citizens in their quest for fair resolution of their problems and concerns regarding City of Detroit services.

It is my pleasure to present this year's Budget Analysis Report in this, my last year as City Ombudsman:

**2004-05 Budget Analysis Report
Regarding City of Detroit Services**

As in the past, we are interpreting the Mayor's proposed budget in light of the problems and concerns we have learned of in the last year, as highlighted by the citizens' Top Ten Complaints, the Top Fifteen Complaints for the past ten years, and our essays on Chronic Conditions and Urgent Issues.

Top Ten Complaints

The "Top Ten" complaints, as generated by citizen communications to the Office of the Ombudsman over the past nine months, contain few surprises. They are as follows:

1. Street Lighting - Public Lighting Department (PLD):

This complaint area has been number one in our infamous Top Ten list most consistently in my ten years as City Ombudsman; this year PLD complaints alone make up 25 percent of the Top Ten complaints. Street lighting also ranks as the number one complaint in our list of the "Top Fifteen" complaints for the past ten years. While PLD (and the citizens) have to deal with an aging infrastructure, the newer street lighting systems and circuits do not seem to put a dent in these complaints because the newer system itself has continuing problems. The recent contract with Genesis may prove beneficial, but it also gives rise to further questions about the possible privatization of this service.

2. Streets/Alleys/Sidewalks (DPW):

Creating vast potential for injury and property damage, streets riddled with potholes, and rough, pitted sidewalks which erupt from rising tree roots continue to plague pedestrians and drivers in the City of Detroit. Blocked and rutted alleys also impede commercial traffic. Further, all these persistent problems greatly contribute to the City's liability exposure. This year the Office of the Ombudsman has combined the previously separated two complaint categories, streets, and sidewalks/driveways/alleys, because both categories of complaints impact directly on drivers and pedestrians, and because both categories are handled by the same DPW divisions: City Engineering and Street Maintenance.

3. Sewers/Catch Basins - Detroit Water & Sewerage Department (DWSD):

Once again, this issue is a chronic one, ranking number six on the Top Fifteen for the past ten years. As with Public Lighting, DWSD must work with an aging infrastructure, and all too frequently sewers and catch basins (street drains in curbs) become blocked and create floods and havoc. Homeowners' basements back up, and property is damaged or destroyed; in the winter, flooding streets, sidewalks and driveways freeze over and cause hazardous driving and walking. All the property damage and personal injuries increase the City's risk management responsibilities as well.

4. Trees - Department of Public Works (DPW) & Recreation Department:

DPW has only had responsibility for removing hazardous branches and dead trees on City streets since July 1, 2003, following implementation of Mayor Kilpatrick's reorganization plan. (The Recreation Department maintains responsibility for removing dead and hazardous trees in parks and playgrounds.) Tree complaints were number two in last year's Budget Analysis Report, and placed number four in the Top Fifteen for the past ten years. Of course, falling limbs and branches put vehicles, pedestrians and children at risk, and contribute to the City's liability exposure.

5. Debris - Environmental Affairs Department & Department of Public Works:

Litter, along with debris, weeds, and illegal dumping, continue to erode our urban landscape and the citizens' health, while lowering property values and discouraging businesses from moving in. Once again, these complaint areas are chronic, contribute to the City's liability exposure, and, with the exception of weed removal, are seldom removed or enforced against effectively. We are pleased to note, however, in the essay titled "Progress Report/Environmental Enforcement" that weeds complaints have experienced a significant reduction since last year, and we applaud the administration for diligently pursuing this perennial problem.

6. Property Tax - Finance Department:

Property tax problems such as delayed crediting of payments, unexplained procedural changes, lack of adequate notification on refunds, etc., have been the focus of many of our Budget Analysis Reports essays in the past. In fact, this year's Report provides an overview and update of those issues. Unfortunately, this complaint area appears this year in the Top Ten for the first time, and reflects additional citizen frustration with these problems.

7. Dangerous Buildings - Buildings & Safety Engineering Department (B&SE):

Another enduring complaint, the City has the unfortunate responsibility of cleaning up after citizens have abandoned or been forced to leave their homes. Demolishing and boarding up buildings is extremely expensive, but ignoring them is worse, and results in increases to the number of hazardous locations where citizens and children may be severely injured. This complaint matter ranks number two in the Top Fifteen for the past ten years, indicating that it has been and continues to be perceived as a major problem by complainants.

8. Water System Repairs - Detroit Water & Sewerage Department (DWSD):

"Water System" complaints are those concerned with private property damage following repairs to water mains and sewer lines. Once again, aging infrastructure contributes to this continuing problem because many if not most of the water mains need updating; some mains downtown are over 100 years old. Meanwhile, citizens face damaged lawns, driveways, berms and curbs due to repair work necessary to keep the system functioning, and they must often wait over two years for their property repairs to be addressed. These conditions are hazardous and contribute to the City's increased risk of claims and litigation.

9. Abandoned Vehicles - Police Department:

Abandoned and illegally parked vehicles continue to make the Top Ten list; they are also listed number seven on the Top Fifteen, which indicates they have been a serious problem for the past ten years. The Police Department contracts out the responsibility for towing and storing abandoned vehicles, and a lack of storage space often contributes to delays in tagging and towing these vehicles. The Police Department remains hampered in its ability to tow “junkers” off private property, because a court order must first be obtained.

10. Health Inspections - Health Department:

Making its debut on the Top Ten, this complaint area reflects citizens’ frustration with unsanitary, malodorous conditions, and with the Health Department’s response time to these complaints. The Office of the Ombudsman has noted a recent reluctance, or foot-dragging, on the part of the Health Department to address these kinds of complaints, and we wonder if this lack of timely response may reflect a staffing level issue.

Essays Addressing Chronic Conditions & Urgent Issues

In addition to our annual list of Top Ten Complaints as reflected in citizen communications to the Ombudsman’s Office, we annually investigate and address other issues we believe need attention. These issues are not necessarily reflected in the Top Ten list of citizen complaints, but we believe they deserve attention because they reflect safety issues, risk management issues, development issues, and issues regarding citizen services. All of these categories of concerns, if not adequately addressed, contribute to the City’s decline and, importantly, to the perception of its decline.

I. Progress Report: An Ombudsman’s Office Update on Chronic Concerns

This first essay, subdivided into five parts, contains a list of chronic problem areas previously reviewed in various Budget Analysis Reports, along with an update on the current status of the concern. The underlying message here is that while some issues have been effectively addressed, many have not, and they continue to create additional burdens for the citizens, and additional costs to a City already challenged with lack of resources and lack of growth. Conversely, the progress noted in some complaint areas should provide hope and inspire creative problem-solving with regard to the others.

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We have limited ourselves in this essay to examining the history and updates on five problem areas: Alley Closures; Environmental Enforcement; Risk Management; Property Taxes; and Selling City-Owned Residential Property. All these problems have a long history of recidivism; they keep coming back. All impact, directly or indirectly, on the quality of life in Detroit. And all have a bearing on whether and how Detroit can develop and grow its way out of its economic doldrums.

Closing Residential Alleys

It has long been recognized that accessible, open residential alleys can pose an attractive invitation for destructive occurrences: illegal dumping, trespassing, abandoning vehicles, arson, assaults, etc. In view of this, the City has maintained a policy of permitting property owners to get permission from other adjacent property owners to legally close and fence the alley. The City's policies and procedures for alley closings were initially overly complicated and time-consuming; then the reform efforts created procedures which were not consistent with the City's Code. New developments look promising, and the streamlined process seems to be working, but problems remain. Effective enforcement measures against those who would fence illegally are urgently needed, and an amended ordinance to make the City Code consistent with City practices and procedures is long overdue.

Environmental Enforcement (Litter/Debris/Weeds/Illegal Dumping)

Reflected consistently in Top Ten Complaints, and often the focus of lengthy essays in our Budget Analysis Reports, the responsibility for environmental enforcement has bounced from department to department, but today aspects of it may be found in the Police Department, the Department of Public Works, the Health Department, and recently most extensively in the Environmental Affairs Department. Nevertheless, the City continues to be plagued with illegal dumping, litter and debris, and of course weeds. **The good news is that weeds complaints are significantly reduced, and enforcement efforts against illegal dumping and litter/debris have been significantly toughened.** We are pleased to recognize and applaud this progress, but we do have some concerns about the potential for over-zealous enforcement and the impact of higher fines and stronger measures (liens, garnishments) against low-income seniors.

Lawsuits/Claims/Risk Management

It is, unfortunately, common knowledge that the City continues to bear the burden of ever-expanding numbers of claims, lawsuits, settlements, and judgments against it. Such common knowledge undoubtedly encourages some claimants and plaintiffs to file trivial or fraudulent claims and causes of action. Other citizens are sincerely seeking just redress for personal injuries or property damage inflicted upon them by a City which appears to be negligent and uncaring about its citizens and their welfare. In writing about this major area of increasing expense to the City, past Budget Analysis Reports noted that the Risk Management Council, mandated by the Charter, had never been activated.

On a positive note, under the prodding and persistent leadership of Auditor General Joseph Harris, combined with modest funding from your Honorable Body and the enthusiastic cooperation of Finance Department Director Sean Werdlow and Corporation Counsel Ruth Carter, a Risk Management Council (RMC) was finally established. It has met monthly for a year to address risk management concerns, and has made significant progress in beginning to address its goal of reducing the City's liability exposure. New staff positions have been created to perform risk management audits, and a new computer software package to allow high-risk departments to track and collect data on risk management occurrences is being implemented. An Awareness Committee is creating a quarterly newsletter to educate and alert City employees to safety issues. While additional steps are of course needed, we must acknowledge and commend these essential and long overdue efforts to begin to stem the flood of claims and lawsuits against the City.

Property Taxes

We have reported on a variety of property tax concerns in past essays: Lack of adequate communication and explanation to the confused taxpayer; lack of an adequate process to provide refunds and credits to property owners who overpaid their taxes; lack of a program to address the problem of incorrect increases in property taxes; lack of timely crediting of payments; and an apparent new policy of refusing to refund property taxes paid in error.

There has been progress in addressing some of these concerns. Incorrect property tax increases have been drastically reduced, and our finding last year of an apparent new policy of refusing property tax refunds paid in error was modified following a meeting with the Finance Department. While not entirely resolved, it appeared some of the information provided to us by two complainants was incomplete, and another complainant pursued a legal avenue to resolve their issues.

Unfortunately, other issues remain unresolved. For example, nothing has changed in the Finance Department's notification and billing system which still does not provide property tax payers with clear and helpful information about property tax credits or refunds which may be due to them.

Only partially resolved is the problem of late postings of property tax payments; recent software conversions, which should help in the long run, created an immediate backlog in the processing of property tax payments which is being addressed now. We are hopeful that these late postings diminish as the Finance Department's new software provides more efficiency, and as the recent changes in the City's billing responsibilities ease with regard to late taxpayers. Unfortunately, this systemic change in billing responsibilities has not been well communicated to the property tax payer, and confusion prevails among many taxpayers because of this lack of notification.

Selling City-Owned Residential Property

The effective and timely sales of City-owned residential properties is important because of the negative impact vacant City properties have on the neighborhoods around them. The vacant houses attract inquisitive children, opportunistic squatters, prostitutes, drug dealers, and vermin; and have a blighting effect on the surrounding properties. Vacant City properties cost money to maintain, monitor, and sell, and rob the City of needed property tax revenue.

Despite all these negative consequences, our Budget Analysis Reports have noted the following counter-productive policies with regard to selling City-owned residential parcels: The prohibition against the sale of City-owned houses to City employees; the length of time to process a deed transfer; the unclear and confusing communications with interested purchasers, and the impact on low-income families' need for housing, coupled with the policy of selling to the "highest bidder."

However, some reforms are noted in our essay: A faster, more efficient tracking program which allows Planning & Development Department (P&DD) employees to immediately access and update records on the housing inventory; more efficient deed processing; and a clearer program of communications with interested purchasers which has resulted in a dramatic lowering of P&DD complaints to this Office. Further, there has been some recent flexibility noted in P&DD's policies with regard to selling to the "highest bidder," and the department has become more willing to negotiate lowered prices when low-income families are already occupying the structure.

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Unfortunately, the prohibition against selling City homes to City employees continues, despite the clear counter-productive impact of this unfair policy. The Law Department has apparently remained unwilling to revisit or re-research their opinion, issued under the previous administration, to the effect that selling City-owned properties is prohibited by state statute. The statute cited prohibits state employees from entering into contracts with the state. We believe the Law Department opinion is an incorrect interpretation of the statute, and urge P&DD and the Law Department to reconsider their policy.

II. An Essential Public Service Issue: Pedestrian Safety

Essay two describes a repeating concern of this Office, that of providing pedestrian safety in the City of Detroit. In today's competitive global economy, providing public safety has come to mean more than protecting citizens from the direct threat of crime or fire. Its definition has expanded to include taking action to eliminate loss related to quality of life issues as well.

With an appalling pedestrian injury and mortality rate, Detroit has made no progress in erasing its image as a city where walking is not good for your health. Detroit is first in the nation in pedestrian mortality rates for cities having 500,000 or more population. The City's rate of 5.05 deaths per 100,000 is more than two times greater than that of New York City, and more than three times the threshold of acceptability for pedestrian accidents when rating quality of life indicators.

This essay spotlights action that can be taken to improve pedestrian safety and reduce the high mortality rate that removes hundreds of millions of dollars annually from the Detroit economy. Among recommended actions are the need to begin implementing pedestrian safety awareness campaigns on a regular schedule, and utilizing federal funding sources that, until now, have been neglected.

This essay observes that it is not too late to make Detroit a "walkable city" and reap the safety and economic benefits that other municipal economies like Seattle, Washington do. Finally, we recommend improvements that should be incorporated into Detroit's newest pedestrian phenomenon—the traffic circle—to make sure that design factors improve safety for all pedestrians, including the visually impaired.

III. Economic Development Issues: Eliminating Roadblocks and Expanding Existing Opportunities

This essay describes positive steps that may be taken to improve the economic base that supports our City. Continued decreases in state revenue sharing funds and underfunded federal mandates have combined with other shrinking and disappearing revenue sources to create the most serious budget deficits that the City has faced in more than two decades.

The task this year, and for many years to come, will be one of learning to identify and build new economic opportunity while eliminating the policies that have guided us into the perilous economic position that we are in today. With that in mind, this year's economic analysis examines three areas where action can be taken to "modernize" policy as well as explore new options for growth.

The first section examines the crippling tax rate that is imposed on Detroit property owners. As such, it fuels urban sprawl and supports a process of disinvestment that forces "first time" and "replacement" home buyers to look elsewhere than Detroit for market rate housing. A number of tax-based solutions are offered that could ultimately attract housing investment and increase property tax revenue.

The following two sections look at what are leading growth sectors in the national economy, and discuss how the City could use them to capture additional direct revenue as well as diversify and strengthen its economic base. An intermodal passenger transportation facility (one which features many forms of transportation, such as buses, taxis, planes, etc.); the capturing of recreation industry jobs and income by providing camping opportunities for Detroit visitors; and the creation of tours spotlighting significant Detroit heritage sites can be combined to increase tourism dollars circulating in the Detroit economy.

IV. Meeting the Affordable Housing Need

This last essay looks at the continued loss of affordable housing choices in the City of Detroit. The Ombudsman's Office has consistently pointed out in yearly Budget Analysis Reports that the serious lack of affordable housing for Detroit's citizens is more than a matter of social equity; it is also an economic problem that has serious consequences for Detroit's neighborhood economies and the City's municipal budget.

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In this essay, we focus on actions that can be taken now to stop the disappearance of affordable housing from Detroit. Some of the recommendations, such as those dealing with land banking and affordable housing trust funds, apply to initiatives that are currently under study by City Council. Others offer new approaches to conserving affordable housing stock as well as using tax incentives and regulatory changes to further investment in affordable housing. The successful attempt by Chicago, for example, to launch an affordable housing preservation program to save bungalow neighborhoods could serve as a blueprint for spurring rehabilitation of affordable housing types in Detroit.

Another barrier to providing affordable housing in Detroit is the disparities in property tax rates between the City and its far suburbs. The property tax inequity imposed on homeowners in Detroit is nearly seven times the average for other Michigan communities, and constitutes one of the strongest reasons that the future of affordable housing is so dismal in Detroit.

We present tax strategies that could significantly lower the property tax rate and make housing more affordable to many. Finally, we discuss zoning changes as well as two additional mechanisms that could be used to make sure that affordable housing stays affordable over time.

Unresolved Issues

In the spirit of attempting to resolve some unfinished business, in addition to the various issues raised by this Budget Analysis Report, I wish to bring three items to your Honorable Body's attention:

Proposed Charter Amendments

First, please allow me to mention the Charter amendments we proposed last July, 2003. We proposed those amendments for three purposes: to strengthen the authorities and prerogatives of the Ombudsman's Office; to correct some Charter language which the Attorney General determined was improper under the Michigan Constitution, having to do with the organization of the Civil Service Commission; and to strengthen and improve City government.

It is my fervent hope that if your Honorable Body determines that one or two of these proposed amendments are not advisable, you will nonetheless review, deliberate, and ultimately approve the others, each of which has merit on its own.

In pursuit of strengthening the authorities of the Office of the Ombudsman, we proposed three Charter amendments; if permitted by Council to go on the ballot and if passed by the voters, they would:

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- (1) Establish and strengthen the Ombudsman's jurisdiction over vendors and quasi-governmental bodies who provide City services;**
- (2) Establish an Ombudsman's specific and unassailable right to outside independent legal counsel; and**
- (3) Establish a Charter-mandated policy of confidentiality for communications with the Ombudsman's Office, in order to both protect complainants and to encourage candid department responses.**

Another proposed Charter amendment involves the Civil Service Commission and its direct impact on employee rights and responsibilities. Our proposal would revert the governing of the Human Resources Department and the Civil Service Commission to the 1973 Charter version, minus the partisan requirements, as your Honorable Body attempted to accomplish in 2001.

Finally, in the name of good government, and to encourage a healthy dialogue, one of the Charter amendments proposed that citizens be permitted to vote on a Charter amendment of Council's making (rather than one perhaps perpetrated from some other source) with regard to the election of Council members by district. The wording proposed by this Office, which Council is free to amend or reject, would establish a system whereby Council members are elected by seven districts within the City, with boundaries to be determined by City Council, and two at-large Council members.

The controversy generated by this proposal, while understandable, has unfortunately distracted attention from the other four Charter amendments we proposed last July. It is my hope that your Honorable Body will carefully review, discuss and determine the best course of action with regard to each proposed Charter amendment individually, on its own merits.

Water Department Billing Concerns: Lack of Fair Appeal Process

Second in the list of items not reflected in our Report, but still of sufficient import to raise here, I wish to bring to your Honorable Body's attention the tendency of the Detroit Water & Sewerage Department (DWSD) to appear occasionally to be operating within its own universe, not always completely responsive to citizen concerns, although it appears some improvements have been made. Those improvements include better trained personnel, a clearer billing system for residential customers, and an attempt to more efficiently service customers who have been the victim of property damage caused by water main repairs.

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However, we have found in the Office of the Ombudsman that the appeals procedure for those customers who wish to dispute a DWSD billing appears to be stacked against the unhappy customer; we believe the system is inherently unfair.

To begin with, not all customers are adequately informed they are entitled to a appeals hearing concerning a billing dispute; this notice should be large, intelligible, and obvious on a DWSD bill or shut-off notice. Also, DWSD staff must be directed to verbally provide this option to the complaining customer anytime a disputed bill is under discussion.

Another problem is that the appeals process is not timely; more than a year may elapse between the time the request for an appeals hearing is filed, and the actual hearing, and the customer is forced to continue paying all but the disputed amount, which may continue to increase, and in any case creates confusion, during these months of waiting.

Finally, the hearing officer(s) are appointed and paid by the Department, and thus lack the necessary structural independence to foster objective decisions. We learned a few years ago that some hearing officers were let go by DWSD reportedly because their findings were too often in the customers' favor. Such blatant attempts to influence the hearing officers' findings would be discouraged by structural changes to the hearing officer's classification, which could be placed outside of DWSD by having them appointed by DWSD and confirmed by Council, and by appointing the hearing officer to a given term of office, subject to termination by Council for just cause only.

**Executive Manager Classification: Neither Fish Nor Fowl,
and a Violation of the City Charter**

A last area of concern which I wish to bring to your attention, but which is not reflected in our Budget Analysis Report, is the continuing use by the City of the Executive Manager classification (01-10-41). As you are aware, this Office has repeatedly brought issues to Council's attention concerning City employees and the various attempts by the previous administration to circumscribe their rights. We have commented on improper step increase issues, the improper attempt to establish and impose "merit pay" to circumvent the civil service system, and abuses within the Benefits and Pension systems.

Another City employee issue we have raised previously has to do with the imposition of the Executive Manager classification. This classification, also established under the previous administration, presents a problem for City employees who may be hired under its specifications.

The reason this classification presents a problem for City employees is that it is neither a fully appointive position, as described and covered in the City Charter, nor a tenured civil service position, which comes with its own Charter-mandated protections. It is a non-union, non-tenured, classified and certified position, whose members serve at the will and pleasure of the department's director. It exists in personnel limbo, and therefore limits the grievance and appeal remedies available to City employees so designated.

We are aware of significant problems which have already emanated from this relatively new classification, and of probable litigation against the City arising because of disputes concerning its nature. As your Honorable Body is aware, when we raised this issue previously, Council referred it to the Council Research and Analysis Division for review and comment, and the RAD director provided a legal opinion determining that the classification was improper under the City Charter. For the benefit of future City employees, we again request your Honorable Body revisit and act upon this issue.

Reflections at the End of the Term

Finally, in reviewing my experiences as City Ombudsman, and my 29 years with the City, three things stand out:

1. People must take precedence over process. This has been the motto of my term as City Ombudsman, and it serves as a simple reminder to all of us public servants that, while a given rule or regulation may appear neutral and fair on the surface, it will impact people differently, and those disparate impacts should be taken into account when administering the rule or regulation. Occasionally, exceptions must be made in the name of equity and humanity, while still preserving the rule of consistent and non-biased service.

2. Fairness and justice in any administration, regardless how popular or efficient, is not an automatic commodity. It must be promoted, championed, encouraged, and supported. If the guiding impetus for a given administration is, for example, development, or risk management, or cutting costs, the larger, more basic ideals of governing justly may be lost. The legislative branch, in addition to the complex and conflict-ridden job of creating legislation, also has a unique and important watchdog function to ensure fairness and justice, a function provided in Detroit by your Honorable Body, the Auditor General, and of course the Office of the Ombudsman, among others.

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3. Oversight agencies must work together for the common good. Since government is such a powerful entity, and since the average citizen, in contrast, has relatively little power on his or her own, the legislative branch watchdog entities in Detroit should ideally work in concert and support each other's work in order to promote these ideals. Thus, executive branch incursions into the authorities and prerogatives of legislative branch functions must be guarded against with diligence and persistence, and should be responded to promptly and effectively.

Again, thank you for this wonderful opportunity to serve the citizens of the City of Detroit.

Respectfully submitted,

A handwritten signature in black ink that reads "John R. Eddings / R.U.F." The signature is written in a cursive, flowing style.

JOHN R. EDDINGS
CITY OMBUDSMAN

JRE:SMS

OFFICE OF THE OMBUDSMAN STAFF

1995 - 2004

I wish to give public recognition and thanks to my staff, who have made me proud of their continuing dedication to maintaining an Ombudsman's Office known for its commitment and professionalism. I have been fortunate during my entire term to be assisted by an excellent staff, and I thank them all. In alphabetical order, they are:

Full-Time Employees

Dona M. Baez	Rick R. Scott
Jeffery Blaine	Basima Sesi
Ezza Brandon	Raymond V. Shultz
Jerri Donaldson	Judith K. Sizemore
Dianne Holmes	Donyale-Michele Stephen
Gloria J. Killebrew	Kelvin Walker
Beatrice M. Marquis	Thomas L. Walters
Josephine Reid Mason	Darlene Williams
Yvonne Morgan	Evelyn T. Williams
Stina M. Santiestevan	Lisa Williams

Interns

Carmen Allen	Nicole Bowens
Tanya Assi	Evonne Boyce
Marie Bachelor	Raymond Boyd
Eric Baez	Mesha Bridges
Joseph Benion	Tiffany Brown

Ombudsman Office Staff, 1995 - 2004, con't.

Interns

Lindsey Callewaert

Ilmars Ritins

Devin Crumley

Latina Shelton

Steven Ezell

Tamara Smalls

Sammie E. Harris

Chariece R. J. Smith

Ashley Little

Quiana Staples

Sharifa Lowe

James A. Stubbs

J'aneen Grear Mitchell

Patricia Sweeney-Hubbell

Marion Mitchenor

Mai Soua Thao

Darren Elec Moore

Tanya Tookes-Allen

Edward Moultrie

Victoria Walker

Karen Skyers Penn

Michelle Webb

Stephanie Reddinger

Marja Winters

T A B L E O F C O N T E N T S

Letter from the Ombudsman

Staff List

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- 4. Trees
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- 7. Dangerous Buildings
- 8. Water System Repairs
- 9. Abandoned Vehicles
- 10. Health Inspections

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Chronic Conditions and Urgent Issues

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Ten-Year Top Fifteen Citizen Complaints

Charts & Graphs



SECTION I:

TOP TEN CITIZEN COMPLAINTS

July 1, 2003 – March 31, 2004

TEN-YEAR TOP FIFTEEN CITIZEN COMPLAINTS

July 1993 – June 2003



**OFFICE OF THE OMBUDSMAN
TOP TEN COMPLAINTS
NINE-MONTH PERIOD – JULY 2003 – MARCH 2004**

<u>2003-04 RANK</u>	<u>COMPLAINT DESCRIPTION</u>	<u>DEPARTMENT</u>	<u>2002-2003 RANK</u>
1.	ALLEY/STREET LIGHTING: Additional Needed/Inadequate Repair Installation/Wires, Etc.	PLD	3
2.	STREETS/ALLEY/SIDEWALKS:* Resurface/Repair/Requested	DPW-SM/CE	6
3.	CATCH BASINS/SEWERS: Blocked/Flooding/Sinking	WATER	9
4.	TREES: Removal Requested/ Dangerous/Untimely	DPW-SM RECREATION	2
5.	DEBRIS: Request Inspection/ Enforcement/Incomplete/Untimely/ Illegal Dumping	ENVIRONMENTAL AFFAIRS/DPW-EEB	4
6.	PROPERTY TAX: Payments Delayed to Post/Not Credited/Over Payment Untimely/Bill not Received	FINANCE	N/A
7.	DANGEROUS BUILDINGS: Requested/Fire Damaged/Interior/ Garage/Open to Trespass	B&SE	7
8.	WATER SYSTEMS: Damage Claims/Main Breaks/Repairs Untimely	DWSD	8
9.	VEHICLES: Abandoned/ Improperly/Illegally Parked on Private/Commercial	POLICE	1
10.	INSPECTION REQUESTED: Public/Private Property Health Insanitary/Obnoxious Odor	HEALTH	N/A

*This year, the Ombudsman's Office combined two previously separated categories: "Streets" and "Sidewalks/Driveways/Alleys."

**OFFICE OF THE OMBUDSMAN
TEN YEAR – TOP FIFTEEN COMPLAINTS
JULY 1993 – MARCH 2004**

<u>RANK</u>	<u>COMPLAINT DESCRIPTION</u>	<u>DEPARTMENT</u>
1.	ALLEY/STREET LIGHTING: Inoperable/Repairs/Replacement Requested	PLD
2.	DANGEROUS BUILDINGS: Open to Trespass/Dilapidated/ Code Violations	B&SE/ P&DD
3.	BULK PICK-UP: Delayed/ Requested	DPW
4.	TREES: Removal Requested Dangerous/Untimely	DPW
5.	WEEDS: Require Cutting/Vacant/ Occupied Property	DPW-EEB
6.	CATCH BASINS/SEWERS: Blocked/Flooding/Sinking	WATER
7.	VEHICLES: Abandoned/ Inoperable/Illegally Parked	POLICE
8.	DEBRIS: Illegally Dumped/ Requires Removal	DPW-EEB
9.	STREETS/ALLEY/SIDEWALKS Resurface/Repair/Requested	DPW-SM
10.	WATER SYSTEMS: Sod/Side- Walk/Driveway/Curb: Repair/ Replacement/Untimely	WATER

Top Fifteen Complaints (Cont.)
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<u>RANK</u>	<u>COMPLAINT DESCRIPTION</u>	<u>DEPARTMENT</u>
11.	DEMOLITIONS: Requested/ Delayed	B&SE
12.	RODENT CONTROL Requested/Delayed	HEALTH
13.	NARCOTICS: Illegally Sold/ Investigation Required	POLICE
14.	BILLINGS: Estimated/Excessive Investigation Required	WATER
15.	TRAFFIC SIGNAL/SIGNS: Inoperable Request Replacement	DPW-TE



SECTION II

CHRONIC CONDITIONS AND URGENT ISSUES

Observations and Recommendations



PROGRESS REPORT:

AN OMBUDSMAN'S OFFICE UPDATE ON CHRONIC CONCERNS

For the past ten years, under the leadership of Detroit City Ombudsman John R. Eddings, the Office of the Ombudsman has provided annual Budget Analysis Reports to City Council reviewing how well the Mayor's Proposed Budget addresses the City's problems and challenges. Mr. Eddings will complete his tenth and final year as City Ombudsman later this year, and will retire both from the Office of the Ombudsman and from the City of Detroit after 29 years of government service. Accordingly, we believe it is appropriate and timely for this, his last Budget Analysis Report, to take a look at some of the chronic issues highlighted in past reports, and provide a status report on each one to see what the current situation is.

We have limited ourselves in this essay to examining the history and updates on five problem areas: Alley Closures; Environmental Enforcement; Lawsuits/Risk Management; Property Taxes; and Selling City-Owned Residential Property. All these problems have a long history of recidivism; they keep coming back. All impact, directly or indirectly, on the quality of life in Detroit. And all have a bearing on whether and how Detroit can develop and grow its way out of its economic doldrums. Appearing alphabetically by problem, and quoting chronologically by year of Report, the list of "repeat offenders" is as follows:



Residential Alley Closures:
Department of Public Works
Planning & Development Department

1995:

Complicated, Lengthy Process Discourages Alley Closures

“Alley debris continues to plague many Detroit residents.... The solution to avoiding illegal dumping and increased rodent population is for the City to ... streamline the process for alley closures. Currently the procedure for legal closure [of a residential alley] is muddled; citizens do not receive a clear understanding of the process, nor of the status of their request for closure.... Problems arise because this procedure is lengthy, involves several departments, and can become bogged down anywhere along the way. Further, there is no current outreach effort to aggressively encourage citizens to close their alleys.” (See pages 35-36, 1995-96 Budget Analysis Report. Emphasis added.)

1996:

Attempt to Consolidate Creates Questionable Alley Closure Process

Following our 1995 Report, the Archer administration took steps to streamline the alley closing procedure, although not a lot was done on outreach efforts. Still, the effort to streamline meant that citizens only dealt with one department, Planning & Development (P&DD), rather than four or five, as they had to do previously. **There was just one problem: As reported in the Budget Analysis Report of 1996, the alley closure process was illegal.** The P&DD procedure, well meaning though it may have been, did not provide for Law Department review, utility notification, DPW and City Engineering involvement, City Council clearance, and other necessary steps to effectuate a proper alley closure.

As a result, Detroit residents wishing to close their alleys found themselves in legal limbo, not sure whether it was appropriate to fence off the alley, or not, and also not sure which procedures to employ should they decide to make the attempt. Alternatively, those who wished to challenge an alley closure, for example, because of lack of access to their garage, found themselves at the mercy of various department bureaucrats who tossed the responsibility for enforcing against an improper alley closure back and forth between departments and divisions. The lack of clear, systematic, and legally valid procedures meant enforcing against the improper use of alley closures problematic.

New Ordinance Creates Problems

While a new ordinance was being drafted presumably to address these concerns, it had problems as well, as quoted in the 1996 Report: "It proposes to permit petitioners to fence the alley before the City Council hearing, provided that the fencing has a gate... Further, the amended ordinance allows the petitioners to physically close the alley even when the alley petition is denied." (See pages 39, 40, 1996-97 Budget Analysis Report.) Thus, well-meaning attempts to fix the problem created more problems.

1998:

Backlog of Alley Closure Applications Continues

"...[T]here is still a backlog of anywhere from 1,700 to 3,500 closing requests that have not been approved..." (See pages 55, 56, 1998-99 Budget Analysis Report; emphasis added.)

2000:

Lengthy Delays Cited

"Despite numerous task force meetings among the departments involved in the process, citizens continue to face a lengthy delay when they formally request to close an alley." (See pages 8-11, 2000-01 Budget Analysis Report.)

Currently,

**Good News, Bad News:
Backlog Reduced; Waiting Time Reduced;
Enforcement, Ordinance Amendment Await Action**

The good news is that the backlog of alley closure petitions has been significantly diminished since the recent changes to the system. The average number of open petition requests at any given time, we are informed, is 300, as opposed to former average of over fifteen hundred open petition requests. (The whole process used to take over eighteen months to accomplish, assuming a diligent community activist was tracking and applying pressure for it, whereas now it takes approximately six months.)

Related to the reduction in backlog, the procedure utilized by the City to process alley closure petitions has been effectively simplified and streamlined. Citizens wishing to close their alleys may write to the City Clerk or the Planning & Development Department (P&DD), explaining the request and the location of the alley; the petitioner should attach a list of

abutting property owner names, addresses, and signatures. (At least sixty-five percent of the abutting property owners must sign the petition in order to clear the petition for further processing.)

The Clerk's Office sends the requests for residential alley closures to the Planning & Development Department, where the petitions are investigated as to the number and percentage of valid property owners' signatures. P&DD must then schedule a public hearing to provide property owners an opportunity to be heard on the petition to close the alley. Property owners whose only vehicular access to their garage is through the alley may arrange to have the alley closed past their property line; if too many such owners object, the petition may be denied.

Following the hearing, and assuming a sufficient percentage of abutting property owners has been found to support the request, P&DD then submits the request to the utilities, including DWSD, to get their consent to close the alley. Once consent is obtained from the utilities, the petitions are submitted to City Council in the form of a resolution. After Council has voted their approval to close an alley, the petitioners are notified, and a notice is placed in the *Legal News*. Property owners are then permitted to fence the back portion of their lots, barring any interference with objecting property owners whose only vehicular access to their garage may be cut off by the fencing.

While all of the above may not appear to be a simplification, the previous system was much more complicated and fraught with opportunities for error and loss, with several departments having to consider and pass on the petition, and with no one entity or individual being responsible for tracking and advancing the request to the next step in the bureaucratic labyrinth. **The Office of the Ombudsman applauds the various departments who worked together to accomplish this more efficient and responsive system.**

However, some problems remain. The Office of the Ombudsman has learned that an amended ordinance dealing with alley closures is still being drafted. We note that the Law Department stated the same intention, to amend the ordinance, back in 1996; however, to be fair, the recently proposed ordinance amendment language itself may not be identical to that of 1996. Regardless, the current ordinance clearly does not suffice to protect either the City or the property owners.

Current Ordinance Obsolete

The current ordinance, Section 50-7-1 of the City Code, states that the "director of environmental protection and maintenance" will "ascertain what rights or property the city or any public utility hold in the streets, highways and alleys that will be affected by reason of such resolution or other legislative enactment [to open, close, or widen same]." Since

the Environmental Protection & Maintenance Department was renamed the Department of Public Works in 1994, and since the current ordinance language does not reflect the current alley closure system, the need to amend the ordinance becomes clear.

Enforcement Problems

Perhaps a greater alley closure concern, reflected in some current Ombudsman Office complaints, is the lack of an effective mechanism to protect property owners against an improper or illegal alley closure. The enforcement procedure begins with a complaint which gets routed to the City Engineering Division of the Department of Public Works (DPW) ; City Engineering then requests the Inspection Division to visually inspect and determine if the fence is indeed blocking the alley improperly. A fence may be improper, for example, because the petition process was never completed, or because the fence may be blocking the only vehicular access a neighbor has to their garage, etc.

If an illegal alley closure is found by the inspector, a report is issued to City Engineering, who then refers it to the Street Maintenance Division of DPW. Street Maintenance revisits the property and speaks to the property owner, advising him or her of the violation. Often the property owner agrees to remove the fence. If, however, the property owner refuses to remove the alley fencing, the Street Maintenance Division has the responsibility of physically removing illegal alley fences. The enforcement process often breaks down at this point because DPW is historically reluctant to remove illegal or improper alley fences.

An Alley Enforcement Complaint

For example, the Office of the Ombudsman is aware of a property owner who has been unable to have the City remove the illegal fencing put up by her recalcitrant neighbor. The complainant's neighbor, who closed off the alley without having properly utilized the required alley closure procedures, apparently did not take into account that his elderly neighbor has no other vehicular access to her garage than through the alley.

The neighbor's illegal alley fence effectively blocks the complainant from opening her garage door into the alley, thus preventing her from accessing it from the other direction. While the elderly complainant admits she no longer drives her car, it remains in her garage for the use of her grown children when they come to visit. Further, she is concerned about the impact on her property values should she choose to put her house up for sale.

Upon inquiry, the Department of Public Works employee whose responsibility it is to remove illegal fences has declared that he hopes "the neighbors will work it out." But, it has been two years since the illegal fencing was installed, and there is no apparent intention on the part of the obstinate neighbor to remove his fence. In fact, he has threatened the complaining senior citizen who merely seeks access to her own property.

Lack of an effective enforcement mechanism means that this alley closure process, which the City has good reason to encourage and support within the limits of its resources, and which the City has effectively reformed, is still problematic for some residents. The City, the Department of Public Works, and the Law Department are encouraged to address this concern when amending the ordinance and administering this usually beneficial program.

PROGRESS REPORT (continued)

Environmental Enforcement:
Police Department
Department of Public Works
Environmental Affairs Department
Health Department
Neighborhood City Halls



1995:

Weeds, Debris, Illegal Dumping Complaints Present A Continuing Problem

“A review of the top ten complaints received by the Office of the Ombudsman shows that there is a continuing problem with service concerns of an environmental nature ... [for example, weeds, debris, illegal dumping, etc.]”

Environmental Task Force Proposed

Our 1995 Report also discussed the possibility of instituting an Environmental Task Force, perhaps operating within the Detroit Police Department, which would sweep the City once every six months, and enforce environmental warrants issued by 36th District Court for environmental violations. (See pages 48-49, 1995-96 Budget Analysis Report.)

1998:

Enforcement Activities Alone Not Sufficient to Reduce Illegal Dumping

“Illegal dumping is a cancer that affects our City and adds millions of dollars [in outlays] to the budget each year, stealing funds from other services that are needed by its citizens.... Up to now the City administration has tried different initiatives against illegal dumping with

various amounts of limited success. Reward programs, surveillance teams, citizen hot lines, community education, and intensive DPW scheduled clean-up drives have all been used... **[T]he sole reliance on addressing illegal dumping through enforcement activity merely treats the symptoms of this pollution.**" As alternative strategies, the 1998 Report continues by suggesting such land use techniques as land banking, community trusts, recycling, neighborhood drop-off centers, etc. (See pages 49–59, 1998-99 Budget Analysis Report; emphasis added.)

1999:

Illegal Dumping Adversely Affects Growth, Health of Small Businesses

"[I]n addition to adding direct costs to the yearly budget, [illegal dumping] also impacts on efforts being made to bolster the small business sector in Detroit that is an important source of jobs to the community... Since [last year], a special illegal dumping task force has had some success in catching professional dumpers in the act, but the fact remains that reliance on preventing illegal dumping through enforcement [alone] only treats some of the symptoms of this growing problem with little effect on stopping the practice." (See pages 14-15, 1999-00 Budget Analysis Report.)

2000:

Police Slow to Respond to Littering, Illegal Dumping Complaints

"The Ombudsman's Office has found that, despite a commitment by the Police Department for the allocation of resources to every precinct for the assignment of environmental enforcement personnel, a great many citizens continue to receive no service or the wrong service when they report littering or illegal dumping to their precinct... The traditional approach to dealing with litter, and those who cause it, has not proven very effective... Section 22-2-22 [of the City Code] ... provides that Department of Public Works inspectors [currently, Environmental Affairs Department inspectors], Police Officers, and Health Department inspectors are all authorized to issue tickets for littering violations." (See pages 34-42, 2000-01 Budget Analysis Report.)

2002:

Costs of Litter to the City

"Not only does the presence of litter pull down the image of the City, but it adversely affects health and safety, and severely impedes economic development. **It broadcasts to the**

world, 'This city is unclean, unsafe, and undesirable for investment.' Despite ticketing, ... the practice of trashing private property continues.

Litter Ordinance, Liens Proposed

"The Ombudsman's Office recommends a litter code similar to the one enacted in Cincinnati, Ohio ... [where the litter code] allows for the recovery of costs associated with litter removal by placing liens on any type of property that belongs to the property holder.... Finally we note with appreciation that Mayor Kilpatrick's Budget Message [for 2002] indicates that the new administration intends to restructure and reorganize the enforcement of litter ordinances, including the use of civil infractions..." (See pages 69-71, 2002-03 Budget Analysis Report.)

Currently,

Environmental Enforcement Efforts Reformed, Strengthened

Hopeful reforms to the environmental enforcement system, coupled with positive tangible results on weed removal, combine to create a generally positive picture on the environmental enforcement landscape, although visible results of increased enforcement efforts against illegal dumping and litter complaints will take time to become apparent.

Weeds Complaints Significantly Reduced

The Office of the Ombudsman has been pleased to note a dramatic reduction in weeds complaints. Appearing annually in the Top Ten for the past 15 or 20 years, and recently placing as high as number five in last year's Top Ten, weeds complaints this year did not even place in the top fifteen complaints. Clearly, the private contracting out of weed removal, while sometimes problematic because of billings errors (as reported in last year's Budget Analysis Report), has made a remarkable difference in Detroiters' quality of life during the summer months.

The Office of the Ombudsman applauds Mayor Dennis Archer, who initiated the program, Mayor Kwame Kilpatrick, who enlarged upon it, and the Department of Public Works, who administers the weed removal program.

Illegal Dumping, Debris & Litter: Tougher Enforcement Mechanisms

The Office of the Ombudsman is hoping for similarly dramatic reductions in illegal dumping and litter/debris complaints, as the recently enacted reforms in enforcement measures become widely operative, and the serious enforcement effects of the changes become better known by potential litter scofflaws.

Previously, under the criminal misdemeanor system, an illegal dumper or litter violator could be fined a maximum of only \$500.00, and if they failed to appear in court, pay the fine, or otherwise ignored the violation notice, there were no further enforcement mechanisms the City, or 36th District Court, could take against the violator. Enforcement efforts thus relied on the good intentions of environmental violators who are not generally known for their enthusiastic commitment to civic values.

Under the revised Solid Waste ordinance Chapter 22, approved by City Council in September, 2002, a new system of municipal civil infractions (MCI) was instituted to enforce against solid waste (debris/dumping and other) violations. **The MCI system provides for more flexibility in fines, which can range from \$100.00 to \$10,000.00 depending on the severity and history of the violation. In addition, liens may be placed against a violator's property, or wages may be garnisheed, for failure to pay a fine or clean up the mess.**

These tougher measures are likely to bring a whole new raft of complaints having to do with over-zealous enforcement operations, but it is hoped that violators who routinely trash the City's neighborhoods and have gotten away with it will no longer feel quite so free to do so. The Office of the Ombudsman, while appreciating tougher enforcement measures and the effect they will have on the cleanliness of the City, also counsels a certain amount of patience and common sense, particularly when dealing with violators who are seniors or families of limited means.

Increased Number of Inspectors; Various Departments Now Involved in Environmental Enforcement Efforts

In addition to a tougher enforcement system, additional environmental inspectors have been trained and put into service in the Police and Health Departments , and in the Mayor's Office (Neighborhood City Hall Managers). A consequent dramatic increase in inspections has resulted in a corresponding increase in cases going before 36th District Court for hearings; the Court was so swamped with cases, it had a backlog of over 1,000 to be heard and simply lacked the personnel to keep up. Fortunately, help may be on the way, in the form of a new Department of Administrative Hearings.

Department of Administrative Hearings to Be Established

Currently, dumping and debris violations are sent to 36th District Court for adjudication and judgment, and the Court has not yet worked out with the City the procedures for placing liens or garnishment against defendants with unpaid judgments. The state enabling legislation was signed in January, 2004, and such administrative changes are expected to be accomplished in the near future.

Perhaps further in the future is the establishment of the Department of Administrative Hearings, proposed by Mayor Kwame Kilpatrick last year, and appearing in this year's

proposed budget. This department would, when fully operative, take the place of 36th District Court in holding hearings on solid waste (and other) violations, and when necessary, pursuing further enforcement remedies including garnishment and liens.

In general, the Office of the Ombudsman applauds the efficient transition from the criminal misdemeanor system to the municipal civil infraction system, which we have been advocating for years, as providing more flexibility and the option for tougher, more immediate enforcement mechanisms.

Potential for Conflict of Interest?

When reviewing the Mayor's plan to establish a Department of Administrative Hearings last year, we raised questions regarding the funding of this department. We were concerned about the possibility of the appearance or reality of a conflict of interest if the new department were funded from the revenue flowing from the fines issued by the department in the course of its hearings. Instead, we have learned that the new department will be financed from a ticket surcharge imposed under a state statute; any shortfall would be underwritten by the City's general fund. (Revenues from the payment of fines levied under the Solid Waste Ordinance [Chapter 22] will be credited to the Environmental Affairs Department.)

Appeals Process

Violators who are dissatisfied with the findings of the Department of Administrative Hearings may appeal to the Wayne County Circuit Court. Unfortunately, however, this appeals process is not as accessible as it first appears. Circuit Court fees are higher than 36th District Court fees, and Circuit Court is not as "user-friendly." That is, litigants are well-advised to have legal representation when going into a circuit court, whereas district courts are more hospitable to litigants without the resources to obtain legal representation. Some environmental violators, for example, may well be senior citizens without the funds to clean up their property, pay fines, or pay the legal fees to further their appeals. The Office of the Ombudsman, while not necessarily sympathetic to all environmental violators, believes that a more accessible appeals process should be made available.

PROGRESS REPORT (continued)

Lawsuits/Claims/Risk Management **Various Departments**



1995:

Settlements/Lawsuits Costly to City

“The City of Detroit yearly faces a significant number of lawsuits [and claims]... Settlement of [these actions] contributes greatly to the fiscal problems faced by the City... Despite the best efforts of the [Archer] administration and the Law Department, it appears that the upward trend in the number of cases and the amount of settlements is continuing [to increase]. ...

Risk Management Studies Make Recommendations

“A risk management study authorized by the previous administration [has been] made public. That report studied the major areas of concern including but not limited to repair of infrastructure, [rectification of] workers compensation costs, [diminishment of] police misconduct cases, automotive liability and other injuries caused by the actions of City employees. ...

“[Also] in 1994, a Turnaround Team was created by the current [Archer] administration to study risk management issues related primarily to employee injuries and make recommendations for improvement. ...

“We would strongly urge the Administration to continue to implement the recommendations of the two studies as quickly as possible. These recommendations include repair of sidewalks ...; detailed timely and improved investigations; training of City employees including police officers; replacement of missing traffic signs; and, increasing the City’s response to these unsafe conditions.”

Recommend Mayor Appoint Manager of Risk Management

“In order to further this objective [of limiting the City’s exposure to liability], we recommend that someone from the Mayor’s Office be appointed as Manager of the risk management process.” (See pages 50–52, 1995-96 Budget Analysis Report. Emphasis added.)

1996:

Complexity of Issue Stymies Risk Management Solutions

“In addition to the ... costs [associated with lawsuits and claims against the City], the problem of legal actions and claims ... is exacerbated by the complexity of the issue. Several departments must deal with a multiplicity of [liability/risk] situations involving a variety of victims/complainants/[claimants].” (See pages 30–32, 1996-97 Budget Analysis Report.)

1997

New City Charter Mandates Establishment of Risk Management Council

“This section [of the 1997 City Charter] is new and is intended to guide the City in developing a comprehensive effort in each City agency or department to prevent, where possible, or minimize suits, claims and damage awards against the City. The Risk Management Council, [under the Charter is] comprised of the following existing City officials: Corporation Counsel; Chief of Police; Finance Director; Human Resources Director; [and] Auditor General.

“It [the Risk Management Council] is required to investigate the administration and effectiveness of risk management practices of City departments every two years, reporting findings and recommendations to the Mayor and City Council. The Charter requires the City to make an annual appropriation for the operation of the [Risk Management] Council.” (See page 32, 1997-98 Budget Analysis Report.)

2000:

Charter Mandated Risk Management Council Not Operational

“Section 9-701 of the 1997 City Charter created a five-member Risk Management Council. The purpose of the Council was to aid the City in developing a coordinated and comprehensive effort to address and minimize claims brought against the City...

Unfortunately, it appears that the Risk Management Council is not operational.” (See pages 17-19, 2000-01 Budget Analysis Report. Emphasis added.)

2001:

Fiduciary & Moral Responsibility to Address Risk Management Issues

“City officials have a fiduciary responsibility to Detroit’s citizens to manage the departments in a manner that limits liability and stops the hemorrhaging of City resources. Further, they carry a moral responsibility to minimize the opportunities for severe personal and property injuries to innocent citizens and visitors. ...

Bobb Report on Police Department Applicable to Other Departments

The Bobb Report, “The Detroit Police Department,” by Special Counsel Merrick J. Bobb and Julio Thompson, was initially released confidentially to the Detroit Police Department and other officials. In 2001, following several published stories about police misconduct, the Bobb Report became the focus of media attention and was published in the *Detroit Free Press*.

We found it also applicable to other large multi-faceted City of Detroit departments. According to the Executive Summary: ‘At base our recommendations are that the [Police] Department become curious about itself and its officers; gather and analyze data efficiently and relentlessly; and formulate strategies for responding to what the data discloses. **The cost of bringing the DPD into the 21st century technologically is substantial—but the cost of not doing so is greater.**’ [Bobb Report, page 3-4; emphasis added.]

Three Bobb Report recommendations in particular should be repeated here because of their general applicability to all City departments, particularly those that engage in activities or have responsibilities which significantly increase their liability exposure for property damage or personal injuries. Quoting from the Bobb Report Executive Summary, they are as follows:

Bobb Report Recommends Risk Management Tracking System

‘The Department should begin immediate construction of an automated data system which we call a Risk Management Tracking System. It will collect data for all discrete areas relevant to risk management, including criminal and administrative investigations; rollouts; force report forms; civil claims; civil litigation; public and internal complaints and recommendations; and preventable traffic accidents.’ [Bobb, page 8; emphasis added.]

Bobb Report Recommends Overhaul of Citizen Complaint Investigations

And, music to our ears, the Bobb Report Executive Summary continues: **‘The investigation of public or citizen complaints needs to be overhauled.** In particular, investigations conducted by the Office of the Chief Investigator have been markedly inferior to internal DPD investigations which themselves require improvement. [Bobb, *ibid*; emphasis added.]

Bobb Report Recommends City-Wide Litigation Committee

Finally, the Ombudsman’s Office was pleased to note that the Bobb Report also recommended a City-wide effort be made to coordinate, monitor and direct substantial litigation against the Police Department. The Office of the Ombudsman recommended that such a City-wide Litigation Committee, if established, also “coordinate, monitor and direct” litigation against other City departments as well as the Police Department. The Bobb Report Executive Summary proposed the following:

‘A newly created city-wide committee, called the City Litigation Committee, should be formed. It should include representatives of the Law Department, the City Council, the Mayor’s Office, as well as the General Counsel of the DPD. The Committee should oversee and monitor all substantial litigation involving the DPD [and, we believe, other City departments], and should possess substantial authority to settle litigation.’” [Bobb Report, page 6.] (See pages 19-29, 2001-02 Budget Analysis Report.)

2002:

Relationship Noted between Major Complaint Areas, Liability Exposure

“[The Ombudsman’s Report] noted the cause and effect relationship between at least eight of the top fifteen complaint areas in the previous ten years ... and chronic hemorrhaging of public funds due to claims, judgments, and settlements.

“Clearly, timely preventive work on these complaint areas, while costly to perform, would nonetheless have saved the City in terms of outlays for damages and injuries: The work on the complaint matter had to be accomplished in any case; the only question is would it be accomplished before or after an innocent citizen was injured or suffered property damage as a result of the City’s negligence? If after [the injury or damage has occurred], the cost of work on the complaint matter [has been] multiplied many times over. ...

Risk Management Entities Multiply with No Coherent Strategy or Leadership

“Currently the City suffers a hodge-podge of risk-assessment entities. There is a Risk Assessment office in the Police Department; there is a Risk Management Division in the

Finance Department; there is a Risk Management office in the Department of Public Works, there is a Risk Management Division in the Law Department (featuring a staff of one), and [presumably] a Risk Management Council, which apparently has never met, nor issued reports, nor recommended or enacted any policy changes.” (See pages 1-18, 2002-03 Budget Analysis Report. Emphasis added.)

Currently:

Risk Management Council Organized and Making Progress

Following an impassioned and articulate report from City Auditor General Joseph Harris on risk management issues, delivered to City Council during the budget hearings of 2003, Council budgeted a modest amount for risk management auditors, and charged Auditor General Harris with organizing, staffing and facilitating a City-wide Risk Management Council (RMC). Harris, Finance Director Sean Werdlow, and Corporation Counsel Ruth Carter proceeded to do just that; the first meeting convened in May, 2003, and the RMC has met monthly since then.

The RMC now consists of those persons charged by the 1997 City Charter: The Corporation Counsel, Chief of Police, Finance Director, Human Resources Director, and the Auditor General. Departmental representatives who regularly attend include those from the Risk Management Division-Finance Department, from D-DOT, and from various Council member offices.

Occasionally, representatives have attended from the Mayor's Office, from the Detroit Water & Sewerage Department, and the Fire Department. The Department of Public Works and the Public Lighting Department have also been asked to send a representative, but have not done so to date. (High risk departments have been identified as the Detroit Police Department and the Department of Transportation, both of whom regularly send representatives, and the Fire, Water, Public Works, and Lighting Departments, who do not.)

Despite the regrettable record of non-attendance from several of the most at-risk departments, the accomplishments of the RMC have been impressive.

The RMC has not only met regularly, they have agreed to take some initial but significant steps toward reducing the City's liability exposure. New staff positions have been created to perform risk management audits. A risk management audit plan is being developed; this plan will identify areas of risks and hazards and their consequences, and then determine how the risks can be reduced.

A risk management Awareness Committee has also been formed, and a quarterly newsletter on safety issues is ready to be launched, as soon as a funding source for the paper is identified. Articles are being researched and gathered, and distribution to City

employees will be via email, fax, and hard copy where appropriate. The focus of the newsletter will be to educate and sensitize City employees (and perhaps the public, ultimately) to actions and omissions which can increase risk exposure.

Finally, and perhaps most significant, a new computer software package, "Riskmaster," which will allow the Risk Management Division of the Finance Department to track high-risk departments and collect data on risk management occurrences, is going forward. The new system is expected to be operational in June, 2004. It provides for ad-hoc reporting, can track almost any type of data requested, and reports can be regularly e-mailed or otherwise distributed to recipients on a weekly, monthly, or quarterly basis. We have learned the software is DRMS-compatible, and will be available initially to the Law Department and the Auditor General's Office, as well as Risk Management-Finance.

While additional steps are of course needed, we must recognize and applaud these long-overdue efforts, and especially Auditor General Harris' leadership in getting this essential project off the ground.

PROGRESS REPORT (continued)

Property Taxes **Finance Department**

While the Office of the Ombudsman received occasional complaints regarding payment of property taxes in the years 1995-2000, they were not sufficient in numbers, nor wide-spread structurally enough to cause us to look further into the procedures surrounding the payment of property taxes. However, beginning in fiscal year 1999-2000 we noticed a remarkable increase in property tax complaints. Every year seemed to bring new problems, which, compounded with the old problems, seemed to make it harder and harder for well-meaning property tax paying citizens to meet their obligations.

2000:

Lack of Information Regarding Property Tax Procedures

“With all of the business process re-engineering and technical improvements being adopted to make the collection of tax revenue more efficient and cost effective, surprisingly little is being done to help the people who pay the taxes obtain assistance easily... .

Notification of Refunds

“Currently there is a balance of almost \$20 million in non-refunded [overpaid] property tax accounts... [T]he only way property owners find out that they are due a refund on their property taxes is through word of mouth, education (realtors, CPA’s, and financial planners...), or just plain luck.” (See pages 5-7, 2000-01 Budget Analysis Report; emphasis added.)

2001:

Incorrect Increases in Property Taxes

“Taxpayers, many of them distraught seniors, have been bringing to this Office copies of their property tax bills which have been abruptly increased, sometimes by several hundred dollars, apparently without prior notice... [I]mplementing the amendments to Public Act 415 has proved disastrous for the City of Detroit Assessments and Treasurer’s Divisions, and for Detroit property owners whose property taxes are uncapped improperly... [B]ecause of incomplete and inaccurate information posted by the Detroit system, many other types of status changes [other than conveyances through sales] ... will improperly lift the [property tax] caps, resulting in huge and abrupt increases in taxes... Thus, property tax payers,

through no fault of their own, are notified incorrectly that their assessment is raised, and taxes increased accordingly... .

Late Postings of Property Tax Payments

“The City can be several months behind in posting property tax payments at any given time. This lag time results in property tax payers being sent incorrect billings, showing incorrect penalties and interest.

Property Tax Refunds/Credits

“To our knowledge, the situation has not improved [from last year’s Report alleging that over \$20 million in unpaid property tax refunds remained in City coffers because of lack of adequate notification to taxpayers]. The Treasurer still does not adequately and unambiguously notify property tax owners when they have a credit or refund in property taxes, and there are no instructions included as to how to apply for the credit, or refund, [which are] not automatically subtracted from the amount showing on the balance line of the property tax bill. “ (See pages 24-32, 2002-03 Budget Analysis Report. Emphasis added.)

2003:

Refusal to Refund Property Taxes Paid in Error

“The Office of the Ombudsman has recently learned of an apparently new practice within the Finance Department: An absolute refusal to refund property tax payments when they are mistakenly paid on the wrong address, even when the mistake is prompted by an initial error on the part of the Finance Department.” (See pages 1-7, 2003-04 Budget Analysis Report.)

Currently:

Refunding Property Taxes Paid in Error: Some Progress, Assistance Finally Obtained

The Ombudsman’s Office is pleased to report that the above concern, an apparent policy of refusing to refund property taxes paid in error (on the wrong parcel, for example), was largely resolved following a meeting with the Finance Department officials in May, 2003. We learned from the Finance Department that one of the complainants had failed to provide us with the complete records, which records, when provided by the Finance Department fully exonerated them in that case. Our only regret is that we had to comment publicly on the situation; we would have much preferred to meet with the Finance

Department at length prior to our Report, but were unable to do so because of a lack of full response by the Finance Department to our initial inquiries.

One of the complainants whose similar complaint (seeking a refund on taxes paid in error) we reported on last year was finally able to resolve their concern with the Finance Department after the Ombudsman's Office asked some pointed questions, and the third complainant who sought a refund decided to resolve the dispute in court, filing a cause of action against the putative tax-lien buyer, which the complainant won. While the Ombudsman's Office continues to believe that an appeals process for these types of complaints should be instituted, we are pleased these serious concerns were eventually resolved to the benefit of the taxpayers, and look forward to working amicably with the Finance Department in the future.

Property Tax Refunds/Credits: No Change, No Improvement

Unfortunately, with regard to our continuing concern about the Finance Department's persistent policy and practice of insufficiently notifying those taxpayers who are owed a property tax credit or refund due to overpayment, there have been no changes. No special notice is sent the taxpayer; the property tax bill continues to be formatted in a confusing, unclear manner which tends to obscure the fact that a refund or credit is due, and the Finance Department still does not have the staffing level to devote some personnel time solely to contacting these taxpayers to inform them of their credit, and to teach them how to apply for the funds, as was the practice in years past.

In fact, the Property Tax Division of the Finance Department is losing the equivalent of five full time employees due to layoffs (ten part-time people), which seems to this Office to be counter-productive, since it is the general responsibility of this division to bring in much-needed revenues to the City.

Late Postings of Property Tax Payments: Some Improvement Anticipated

The Office of the Ombudsman has learned that late postings on property tax payments has been particularly troublesome of late; property tax officials tell us that they anticipate improvement in the near future. The increased lag time in posting payments was said to be due to a conversion to a new software system. In fact, the new system, now that it is operative, will save time because it is faster and easier to use, but the change to the new system required that extra staff time was used to accomplish the switch. Further improvements in posting payments are anticipated because the City will only be responsible for sending out and recording billings and payments for a single year in the future; billings to and payments from late taxpayers will either be the responsibility of

Wayne County or the private firm, MBIA, with whom the City has contracted. This new system, while a benefit to the Finance Department in the long run, is sure to confuse taxpayers used to fulfilling their property tax obligations to the City under the old system.

**Lack of Information Regarding Property Tax Procedures:
Lack of Communication Regarding New System**

Under the new system, whereby late property tax payers will be billed by, and must make payments to two different entities, rampant confusion is sure to reign, at least until taxpayers become used to these new procedures. Current property tax bills will continue to be mailed by, paid directly to, and posted by the City of Detroit. Most property tax bills that are one year in arrears, for example, property tax bills on real estate for 2003 not paid up by March 31, 2004, will be billed out, paid to, and posted by Wayne County (in addition to the usual Wayne County tax bills).

Property tax bills from the years previous, for example the years 2002 and older as of today, will be billed, paid to, and posted by MBIA. Thus, property owners behind on their taxes by several years may find themselves having to pay different years' obligations to different entities. While the system benefits the City by relieving it of the obligation of continuing to handle late billings and payments, many property tax payers are understandably left in a muddle by these changes.

Part of the reason they are confused and frustrated is because they have not received any notice or explanation of these changes. Originally, according to Finance Department officials, Wayne County convened a task force with City staffers on these changes and announced they would provide the announcements and explanations to property tax payers. However, such a communication appears not to have happened. Meanwhile, the Finance Department has posted large signs on the first floor where property tax bills are processed, but many taxpayers who come downtown in person find themselves sent to the County and/or to MBIA; sometimes they must pay in all three locations. **They are understandably distressed and bewildered, and some are agitated and frightened. Once again, an unnecessary lack of adequate communication puts an extra burden on taxpayers and Finance Department staffers alike.**

**Incorrect Increases in Property Taxes:
The Problem Is Corrected**

We are pleased to finish this essay with good news: The problem regarding incorrect, abrupt increases in property tax billings, as reported in the 2001-02 Budget Analysis Report, has been corrected. The problem began because of the Headley Amendment enactment, which provided for a cap on property taxes until the property was sold to a new purchaser, at which time the property would be re-assessed and the cap lifted to the new, higher assessment. Problems arose because Wayne County was providing information to the City of Detroit Finance Department on all modifications in property holdings: new

mortgages, liens, home equity loans, etc. All these changes, when received on magnetic tape by the City, would trigger a computer signal which electronically assumed that an affected property had been conveyed to a new purchaser. The Headley cap would consequently be lifted, despite the fact that the property remained with the same owner, and no property conveyance had taken place. Large property tax increases resulted, and billings were mailed out demanding immediate payment. The result was a great deal of distress to property tax payers who did not understand what had transpired. Eventually, the City and the County addressed these issues, and the problem now seems to be resolved.

PROGRESS REPORT (continued)

Selling City-Owned Residential Property: Planning & Development Department

1998:

Progress Observed; Problems Remain

"The Office of the Ombudsman has been reviewing the Planning & Development Department's (P&DD's) policies and procedures regarding the sale of City-owned properties for the past several years, [because City Council requested that we do so, in 1996, and because of increasing complaints to our Office]. **We are pleased to report that it appears that many of the original concerns we noted in our reports to Council have been or are being addressed by the Department.** However several problems and concerns remain.... The Office of the Ombudsman has identified four problem areas that ... need attention and revision:

1. The Prohibition Against The Sale of City-Owned Properties to City Employees

"We believe that the policy prohibiting City employees from purchasing City-owned properties, while well-intentioned, is counter-productive to the City's welfare, as well as being unfair to City employees. ... **[T]he City's prohibition negatively impacts on the very potential purchasers that could assist the City in liquidating its inventory and putting more properties back on the tax rolls.** ... We are aware that the Law Department has determined that City employees may not purchase City-owned properties because of a Michigan statute prohibiting "public servants" from entering into contracts with public entities. However, we believe that the Law Department's interpretation of the statute is both overly broad and unnecessarily rigid.

2. The Length of Time to Process a Deed Transfer Following City Council Approval

"It appears to this Office that the Planning & Development Department has attempted to reduce the lengthy period of time purchasers have been forced to wait between the time Council approves the sale and the time the purchaser receives the deed. However, considerable delays still occur... **The object is, or should be, to move the properties off the City's inventory and onto the property tax rolls.** Any unnecessary or untoward delay in that process is a detriment to Detroit's financial recovery.

3. Bid Sales: Concern for the Housing Needs of Low Income Families

“The Planning & Development Department must sell City-owned residential properties for their “fair market value.” However, how this term is interpreted is subject to dispute. P&DD maintains that its objective is to receive the “highest qualifying bid” on any given residential parcel.

“However, as members of Council have indicated, and this Office concurs, other criteria may be brought to bear on determining ‘fair market value’ and ‘qualifying.’ For example, victims of storm damage ..., [and] potential purchasers who wish to become owner-occupants ..., [and] good faith “tenants” who believed they were paying rent to a legitimate landlord..., [and] low income families who ... agree to occupy the property for a given number of years ... may not have the purchasing power of the “highest” bidder, but all ... could become good neighbors... [and tax payers]. ... **The real question is what is the Planning & Development Department’s ultimate objective in liquidating its residential property inventory?**

4. Unclear Communications with Interested Purchasers

“Because of the number and nature of complaints [and inquiries] we receive from persons who were not provided with timely or clear communications from the Planning & Development Department, the Office of the Ombudsman has assembled [a] list of directions and cautions concerning the purchase of property from the City of Detroit aimed at interested purchasers. ... **[C]itizens deserve a clear, concise, fair and complete packet of information before they begin the lengthy, complex, and sometimes hazardous process of purchasing property from the City.** Those [purchasers] most victimized by their lack of understanding are those most vulnerable, with the fewest resources for recovery of losses, and we believe they must be assisted in understanding the full nature of the conveyance process.” (See pages 29-34, 1998-99 Budget Analysis Report. Emphasis added.)

1999:

Some Improvements in P&DD’s Policies Regarding Sale of City-Owned Properties

“[The Ombudsman’s Office has recently observed some improvement [in this complaint matter]. For example, [we] were pleased to note the introduction of the Adjacent Vacant Lot Program, which seeks to liquidate thousands of residential vacant lots and turn them over to adjacent homeowners for maintenance and upkeep. ... **Further, it appears to the Ombudsman’s Office that the “logjam” of backed-up, unanswered complaints from the [P&DD] Real Estate Division may be breaking up.** ... The Ombudsman’s Office notes that it appears there may even be a very slight but measurable improvement in the past pattern of prolonged delays in deed conveyances.

Bid Process/Faster Inventory Turnover

“For too many years, it has appeared to the Office of the Ombudsman that the focus of the Real Estate Division was to hold the property until the top dollar sales price could be realized, leading to [various and consequential] problems [including ... increased neighborhood blight ...; ‘attractive nuisances’ which draw children, squatters, drug dealers, prostitutes, stray animals; ... unkempt yards; declining property values; declining residential population]. [P&DD’s Real Estate Division] has instituted a bid procedure [to speed up sales]. ... In the event that any bid-listed properties do not sell, they are put on the “First-Come, First-Served” list [and] sold to the first interested purchaser who meets the Department’s price.

“The Ombudsman’s Office applauds these new procedures for the streamlining of the sales process. However, we note that the policy of setting prices on the basis of surrounding property sales may in fact put some City properties out of the reach of families in desperate need of affordable housing who would otherwise be eager to move in and fix up the property. ...

Selling to City Employees

“The Office of the Ombudsman has long maintained that the [continued] exclusion of City employees from being allowed to purchase City-owned property is based on a faulty interpretation of a state law ... Recently, however, the Ombudsman’s Office has learned of a slight easing of this wholesale prohibition. Under the Adjacent Vacant Lot Program, the Law Department has informed the Real Estate Division that any qualifying purchaser may purchase an adjacent vacant lot from the City of Detroit, [apparently] including City employees.

“While we applaud this apparent easing of a position which we believe was originally taken in error, we must note the inconsistency in prohibiting a City employee from purchasing a vacant lot [or house], for example, across the street from his residence, but not from purchasing a vacant lot next door to him. Thus, the policy, mistaken in its inception, has since become twisted in its implementation.” (See pages 1-10, 1999-00 Budget Analysis Report.)

2001:

City-Owned Property A Drain on City’s Resources; Need for Affordable Housing; P&DD’s Policies Inefficient, Counter-Productive, Unfair

“Detroit will never be a ‘safe city’ so long as it continues to hold for unreasonable periods of time thousands of lots and vacant, open structures which attract arsonists, adventurous

children, prostitution, stripping of structural amenities, drug sales, etc. Vacant buildings blight neighborhoods and commercial strips and are a drain on the tax base. ...

“Given all of the above, the Ombudsman’s Office must ask: Why in the world is the City continuing to hold on to these properties for years and years and years? It is not as if there is no need for affordable housing in Detroit. It is not as if there is no population drain on the City which could be addressed in part by making more properties reasonably priced and available sooner. It is not as if the City can well afford the cost of maintenance, of management, of liability, and of the negative image of the City which results from these dilapidated, dangerous, and degrading buildings. ... The Ombudsman’s Office has three proposals:

I; Sell to City Employees

“The Planning & Development Department has been hamstrung under the current administration by a legally-questionable and public-policy absurdity: The prohibition on selling City-owned property to City employees. This policy encompasses all City employees, not just those in P&DD in a decision-making or policy-creating position, but every single person... . This Office was under the impression, provided by P&DD officials, that the prohibition against sales to City employees was being reconsidered and ultimately overturned. We find it to still exist...

II; Sell for Lesser Amounts

“Too many City properties are held too long because the Department feels it must achieve fair market value for the property before it is sold. **However, the City is full of low-income families desperate for adequate, accessible low-income housing.** Rather than holding the properties indefinitely, against the possibility of a better price, P&DD and the City would be better served by selling ‘fixer-uppers’ for lower-than-market value. ...

“If P&DD implemented [a policy of selling for lower than market value to qualifying low-income purchaser/occupants], the City could find itself in the position of creating and encouraging first-time home owners, of liquidating inventory which drains public funds from other public functions, of attracting new residents to the City, and of assisting low-income families to become homeowners.

“When the alternative is to allow such properties to sit vacant, to create a drag on property values and neighborhood vivacity, to be a hazardous nuisance, and to add no new funds to the property tax pool, to in fact cost the City in increased maintenance and liability, it is difficult to understand what has prevented P&DD from at least implementing a pilot program.

III; Sell through Brokers: Privatize

“While this Office has never been particularly friendly to privatization of City services, and has in fact opposed many administrative efforts to privatize, we had to reconsider [our policy against privatization] after hearing a presentation made to your Honorable Body’s Auction Task Force. The presenters consisted of a representative from HUD ..., and a real estate broker contracted to sell HUD properties. ...

“The Ombudsman Office believes if such a program were implemented in Detroit, perhaps beginning with a pilot project, P&DD’s Real Estate Division employees could be readily absorbed into essential P&DD activities... **With vacant properties named most often by commentators, City residents, and politicians as one of the most visible and tragic of the City’s problems, it appears to this Office that new and creative techniques must be attempted if this intractable and continuing challenge is ever to resolve itself.** (See pages 1-4, 2001-02 Budget Analysis Report. Emphasis added.)

2002, 2003:

The Affordable Housing Crisis in Detroit

These essays, which appeared in both the 2002-03 and 2003-04 Budget Analysis Reports (and, in fact, in this year’s Report), while not specifically citing Planning & Development Department policies regarding the sale of City-owned properties, consist of extended analyses which (1) describe the increasing crisis in affordable housing, and (2) propose various remedies. **The existence and worsening of the affordable housing crisis, coupled with the continued existence of P&DD’s counterproductive policies regarding the sale of City-owned property to the “highest bidder,” creates and perpetuates increased costs to the City, while ignoring the housing plight of many City residents.** Long-needed P&DD reforms would help ease the affordable housing crisis for many of Detroit’s most needy families. (See pages 33-43, 2002-03 Budget Analysis Report; pages 50-65, 2003-04 Budget Analysis Report; and pages 57-72 in this year’s Report.)

Currently:

Mixed Reviews

There are several improvements in the current system of selling City-owned residential properties, along with some continuing concerns.

On the positive side of the ledger, the Planning & Development Department has clearly done an effective job in administratively reorganizing, and in utilizing new

software to track and update data on the City's housing inventory. This system has permitted P&DD to greatly reduce its numbers of lost property records, lost contacts or miscommunications with interested purchasers, and lost or misfiled deed transfers. All these improvements are reflected in our lowered number of complaints in these issue areas, compared to previous years, and are to be commended.

“Highest Bidder” Rule: Departmental Flexibility Is Welcome

The Planning & Development previously alleged that, under state statute, it must only sell City-owned properties at “fair market value,” and previously interpreted that phrase to mean the highest price, according to assessments, appraisal value, etc. Often, a residential property would sit vacant and stay on the City's inventory for years, not because there were no offers to purchase, but because P&DD believed it must wait for its interpretation of “fair market value.” Further, it had a policy of selling only to the “highest bidder.” Both those policies have been somewhat relaxed in recent years. As previously, the Planning & Development Department has maintained a policy of providing the first option of refusal to “owner-occupants.” Those “owners” are persons living in a home they believed they were paying rent on, to a fraudulent landlord, or those occupants who lost their properties due to non-payment of taxes, but who have managed to come up with the funds to repurchase their home from the City. The Office of the Ombudsman approves of this humane and practical practice, especially in the case of low-income occupants.

In addition, low-income purchasers may sometimes negotiate a lower price from Pⅅ as observed by a senior staff member, “We are not eager to take anybody's home from them.” Certainly, the City does not need to add to its overburdened housing inventory. The Office of the Ombudsman is heartened to see this evidence of flexibility in naming a price, and working with interested purchasers to close the deal. We recommend further efforts be made to make more of the City's residential stock accessible to low income families.

Prohibition against City Employees Purchasing City-Owned Houses Continues

Unfortunately, the Planning & Development Department has not changed its policy of refusing to sell to City employees who declare their place of employment. Apparently, P&DD is constrained by a Law Department legal opinion issued under the previous administration when P&DD itself was the focus of intense scrutiny, investigation, and enforcement efforts. The investigations revealed that some former P&DD employees had taken advantage of inside knowledge about surplus properties to enrich themselves at the public's expense.

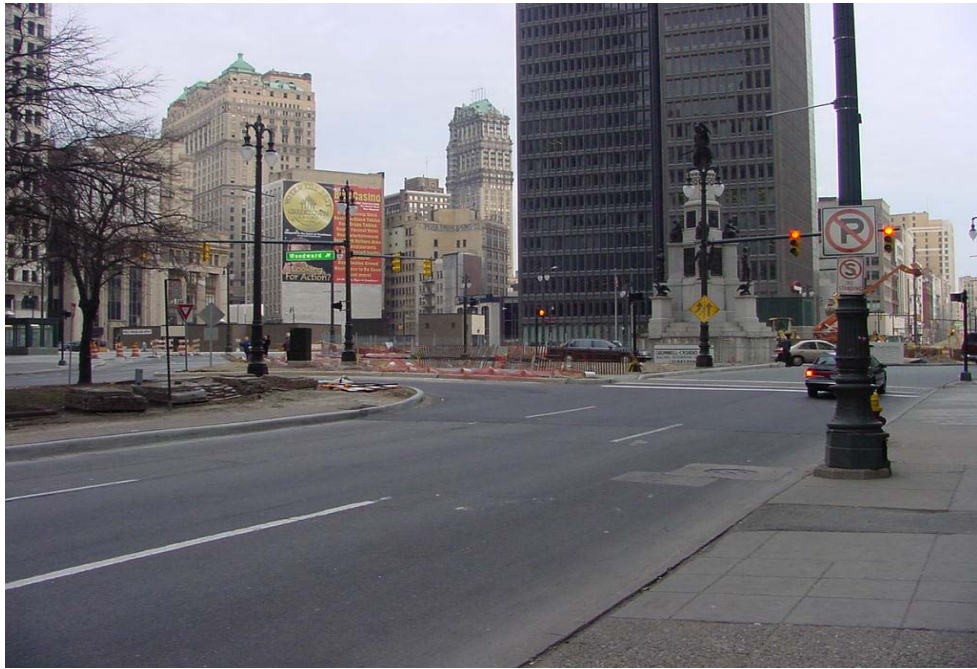
The Ombudsman's Office asserted at the time that not all City employees should be penalized by the actions of a few P&DD employees, and that policies may be written to

exclude the latter while not the former from purchasing City-owned houses. Further, we have asserted, such policies are not only unfair to City employees, they are counter-productive in reducing the City's mounting inventory of tax-forfeited homes.

Despite these common sense findings, currently the Law Department has not relaxed, nor re-researched its previous opinion that all City employees are prohibited by state statute from purchasing houses from the City, despite strong evidence to support the assertion that the statute would not apply in this case.

(Research has convinced the Ombudsman's Office that the statute is designed to prevent conflicts of interest by prohibiting state employees, and by extension, employees of local governmental units, from entering into contracts with the state, or with those governmental units. A purchase of surplus real estate, we assert, is not what was intended by the drafters of the statute, nor does the Law Department consistently apply the statute to all purchases by City employees from the City of Detroit: City employees may purchase, in fact are encouraged to purchase via early invitation, surplus office and other supplies put up for sale during the City's occasional "garage sale." Nor are City employees prohibited from purchasing vehicles put up for auction by the Detroit Police Department. Nor, interestingly, does P&DD apply the Law Department's interpretation of the statute to City employees who purchase vacant lots next door to them under the department's Adjacent Lot Program. Thus, the extension of the statute is not consistent, and we believe is misapplied in any case.)

Again, the Office of the Ombudsman requests the Law Department and the Planning & Development Department to revisit this issue; the City would benefit by providing affordable housing to City employees, having the properties regularly maintained by homeowners as opposed to the City, and having property taxes provide revenue. In addition, neighborhoods would be spared the increased blight that results from empty City-owned houses. Eliminating the prohibition would make good public policy, and should be explored further.



PROVIDING PEDESTRIAN SAFETY



EXECUTIVE SUMMARY

AN ESSENTIAL PUBLIC SERVICE PROBLEM: PROVIDING PEDESTRIAN SAFETY

Ensuring public safety is one of the most essential services provided by municipal government. Cities that are distinguished by safe streets and well functioning services are the ones that will be successful in attracting and retaining the residential and economic strength necessary to insure their survival through the 21st Century.

The Ombudsman's Office believes that pedestrian injury and death are very significant public safety issues. Still, enforcement and education programs necessary to address the problem are routinely lacking, or cut from the budget, for the sake of fiscal economy.

Again this year, a fiscal year budget has been presented for approval that does not appear to allocate resources to address the appalling pedestrian safety record that is used as a standard by the rest of the world to judge who we are. Pedestrian safety is one of those factors that are used to determine how livable a city really is.

Following are the principle recommendations that can be found in this analysis of public safety in Detroit:

- A stronger effort must be made to bring together municipal, business, and community resources in order to **carry out effective pedestrian awareness safety campaigns on a regular schedule.**
- Greater commitment must be made to **utilize Federal Transportation Equity Act of the 21st Century (TEA21) funding** to purchase improvements that contribute to pedestrian safety.
- Utilization of **better pedestrian traffic flow devices** such as delayed lights at major pedestrian crossings must be adopted.
- There is an urgent need for Detroit to encourage state legislation allowing the use of **traffic safety cameras.**
- The installation of speed bumps and appropriate yield to pedestrian signage at exits needs to become a **required licensing condition** for the operation of parking lots and structures.
- Action can be taken now to eliminate the safety problems that **the visually impaired will encounter when utilizing pedestrian crossings at traffic circles and heavy traffic intersections in Detroit.**

PEDESTRIAN SAFETY IN DETROIT

According to an April 2003 National Highway Traffic Safety Administration (NHTSA) technical report, "Pedestrian Roadway Fatalities", Detroit has the highest rate of pedestrian fatalities for the nation. This continues a five year trend of leading the nation with the high pedestrian fatality rates since 1998.

Quality of life indicators used to describe the attractiveness of communities sets the threshold of acceptability for pedestrian accidents at 1.5 deaths per 100,000 population. **The NHTSA study indicated that Detroit had moved to a rate of 5.05 deaths per 100,000 population; more than two times greater than that of New York City.** In 1997, 43 persons were killed in pedestrian related accidents on City streets, while another 899 were injured. The following two year period (1998-2000) saw that average rise to 48 pedestrian deaths per year. Also, while the injury rate for passengers involved in vehicle crashes averaged about 32 percent, the same figure for pedestrian fatalities from single vehicle crashes was over 90 percent.

Today, the following observation holds just as true as when it was stated in the Budget Analysis Report for 1999. **"A short walk through the City on any day illustrates the severity of this public safety problem. Drivers turning right on red lights routinely cut in front of pedestrians who have the right-of-way, missing traffic regulation signs allow automobiles access where they shouldn't be, and non-functioning or misaligned crosswalk signals cause confusion for walkers and drivers alike."**

A representative for the Governor's Office when asked about the NHTSA findings, commented that, "Obviously, these are tragic numbers, ones that all traffic safety and law enforcement officials need to act on to promote safety in the future." (Detroit Free Press 4/22/03) However, a spokesperson for the City of Detroit perhaps summed up the reasons that nothing had changed much in Detroit since 1998 when he said, "It's probably something we should pay more attention to." (Detroit Free Press 4/22/03)

Aside from the tragic human costs associated with pedestrian-vehicle accidents in Detroit, there are direct and indirect economic costs that are incurred. It is estimated that approximately \$800 million is lost to the state economy yearly as a result of pedestrian fatalities and injuries. Almost one-half of that figure is accounted for by the tri-county metropolitan area.

Following are actions that can be taken to improve pedestrian safety that the Ombudsman's Office recommends be implemented this year. Until that happens, citizens will continue to be denied safe streets, pedestrians will continue to needlessly die, and the Detroit economy will continue to lose millions of dollars per year in actual dollars. In addition many spin off economic and health benefits that might otherwise be created will be lost.

The Need for Increased Public Education Effort

Mean Streets, a publication of the Environmental Working Group (EWG) in Washington, DC, points out that from 1986 – 1995, pedestrians accounted for 13 percent of all motor vehicle related deaths in Michigan. Yet, no federal highway safety funds were spent on pedestrian safety measures.

The Governor's Highway Safety Association (NHTSA), a group in the nation's capitol that represents safety advocates attributes the lack of pedestrian safety initiatives to the fact that the NHTSA and other federal agencies push states to focus almost exclusively on increasing use of seat belts and decreasing use of alcohol in their public education campaigns. Meanwhile, traffic safety "improvements" focus on road design changes made to allow traffic to operate at higher speed with less interference. While those tactics may be effective to reduce the primary cause of traffic deaths in vehicles nation-wide, they do very little to address the needs of pedestrians for safety.

The Ombudsman's Office strongly believes that programs need to be included in this year's budget to further public awareness of pedestrian safety in Detroit. The savings in liability case payments alone can be staggering. For example, according to information from the Berkeley, California, City Attorney's office, the City's greatest liability expenses in the transportation department lies in pedestrian injuries. In 1999 pay outs represented 74% of the suits that were settled.



Creating a Walkable City

In Seattle, Washington, a city which unlike Detroit, has been able to develop a strong tourist economy, pedestrian safety has long been a priority. Physical improvements to the streetscape have helped reduce the number of fatalities in the last decade to that of the lowest rate of pedestrian deaths for any major American city. **Along with physical improvements, a major commitment to ticket drivers who fail to yield to pedestrians, combined with a modest investment in traffic calming as well as heightened public education about pedestrian rights have all been used to lower pedestrian injury rates.**

One of the reasons Seattle, Washington, is routinely designated the most walkable city in the nation is that it has found a way to get the pedestrian safety message out to citizens. For example, last year it launched a campaign to promote walking safety called “Pedestrian Summer”.

“Pedestrian Summer” relied on stakeholders from the government, community, and the business sectors to increase safety through education, the campaign included public service advertisements, pamphletting, activities at public events, and public safety mailings to citizens that were paid for by private companies. Public events included the unveiling of pedestrian safety devices installed by the city Department of Transportation at particularly dangerous intersections.

Overall costs to the City of Seattle to promote “Pedestrian Summer” were negligible, but the benefits were substantial. First of all, pedestrians and drivers were reminded of their responsibilities to each other, and a safe environment was created that raised public awareness of the issues.

Secondly, while the main goal of “Pedestrian Summer” was to create a safe pedestrian friendly cityscape, there were other benefits as a result of the campaign. These included:

- The establishing of walking tours that helped feed the tourist economy.
- An increase of pedestrian “street presence” that contributed to a stronger sense of personal safety.
- The promoting of walking as an effective exercise for attaining better health.

The Ombudsman’s Office believes that a commitment to pedestrian safety education could be undertaken with very little expense this fiscal year. As part of an awareness campaign, the electronic signage along the City’s expressway routes could be employed to educate commuters that pedestrian safety is a priority in Detroit. As we have pointed out in prior years; pedestrian bridges, building linkages, and even “smart crosswalks” which use flashing lights to warn drivers when a pedestrian begins to cross, are all activities eligible for funding through the Federal Transportation Equity Act for the 21st Century (TEA21) program.

Smart sidewalks employ a microwave sensing system that automatically activates whenever pedestrians are detected crossing the street. These “Smart Cross Walks” are sensitive enough to detect a small child. Once the slightest motion is detected, a signal is sent to activate flashing overhead lights that warn motorists to be alert for pedestrian traffic.

In the past, the Administration has justified the failure to secure federal funding for technical solutions to pedestrian safety by explaining that even if grants could be secured for that purpose there were no funds available to provide the City’s matching funds. However, the Ombudsman’s Office feels that the longer Detroit delays applying for these resources, the

less chance it will have to turn around its negative image as a pedestrian unfriendly environment.

In lieu of “smart sidewalks” a less expensive solution for increasing pedestrian safety has been the placing of traffic control devices, such as delayed lights, at intersections that allow pedestrians to cross streets before traffic is allowed to proceed. Use of such lights should not be confined just to the central business and near downtown districts. They also need to become a fixture at many neighborhood intersections.

Delayed lights have proven to be highly effective for preventing traffic from failing to yield to pedestrians crossing at intersections – **not only do they give pedestrians more time to start across an intersection before turning vehicles are allowed, but they also give them the opportunity to cross wide, busy roads with less chance of being struck by traffic.** The time factor is especially critical to seniors and physically impaired pedestrians.

Today, most lights are timed with the assumption that pedestrian traffic moves at 4 feet per second. But studies show that people over age 65 typically move no faster than 3 feet per second. And the rate diminishes with age. **A 1997 study of New Haven, Connecticut, residents found that barely 1 percent of pedestrians age 72 or older could make it across an intersection at normal walking speed before the light changes.**



Safety at Traffic Circles

Traffic circles have come to downtown Detroit. Actually what has been constructed at Woodward and Campus Martius is somewhat of a hybrid circle that incorporates a circular roadway around an island. Instead of being totally without signals, traffic lights have been installed to deal with existing heavy traffic patterns that cannot be rerouted to other streets.

The use of traffic circles is well established in countries outside of the United States. There are an estimated 40,000 worldwide. Lately, American cities have been utilizing them to improve vehicle safety, increase roadway capacity and efficiency, reduce vehicular delay and concomitant emissions, provide traffic-calming effects, and mark community gateways.

The reduction in serious vehicular crashes is the most compelling reason cited by transportation engineers for the installation of traffic circles. Research has documented that traffic circles increase vehicular safety for two main reasons: 1) they reduce or eliminate the risk arising at intersections when motorists misjudge gaps in oncoming traffic and turn across the path of an approaching vehicle; and 2) they eliminate the often-serious crashes that occur when vehicles are hit broadside by vehicles on the opposing street that have run a red light or stop-yield sign.

The research findings about pedestrian safety at traffic circles is less clear. There have been relatively few studies on the subject. The limited research that has been done on the matter suggests that there are significant differences in the ability of blind and sighted pedestrians to determine whether it is safe to initiate a crossing at complex intersections such as traffic circles. For example, one study that was used for this report indicated that during rush hour visually impaired pedestrians were significantly disadvantaged by the fact that they could not judge if traffic gaps meant that it was safe to cross the street.

When traffic signals and stop signs regulate traffic movements at intersections, the resulting breaks in traffic flow provide identifiable and predictable periods – gaps – during which pedestrians can cross. Such predictable audible sounds do not usually occur at traffic circles, because the signal lights can stop traffic on a curvilinear pattern.

One visually impaired pedestrian that we talked with about this concern told us that his traffic safety advisor recommended to students that they avoid using the Woodward Avenue circle and walk down to the next full intersection to cross the street.

Orientation and mobility techniques used by visually impaired individuals at intersections rely heavily on traffic sounds. They also include, markings across crossway paths to indicate direction of travel, detectable warnings underfoot, locator tones, and other audio information. Unless appropriate design elements are present at an intersection it can be considered “inaccessible” and in conflict with the American with Disabilities Act (ADA). The ADA requires that new and altered facilities (including streets) constructed by state or local governments must be designed to be readily accessible to and usable by people with disabilities. An ADA accessible traffic circle should provide nonvisual information about crosswalk and pedestrian island locations, crossing direction, and indicate safe crossing opportunities.

Improving Accessibility and Safety

The Ombudsman’s Office recommends that the following action be taken to improve safety for the visually impaired and all pedestrians at traffic circles built in Detroit:

- **The use of preemptive signals** (where the pedestrian pushes a button to activate the light sequence) should be incorporated in high-risk crossing areas.
- The use of **“Smart” traffic control devices** that can sense and signal pedestrian

presence should be encouraged at **“entry and egress legs”** in order to clarify to drivers that they must yield to pedestrians.

- **High-contrast markings and pedestrian routes that are well-lit at night** will be useful to pedestrians who use residual vision to travel. Lighting will also enhance pedestrian visibility to drivers.
- Incorporate design features in traffic crossways to ensure that the visually impaired remain within crosswalk boundaries. On Woodward Avenue, for example, crosswalk boundaries have been marked by large rectangular pavers. But the wide distance between them could greatly confuse pedestrians. Providing a raised paver guide strip at the centerline is an option that is strongly recommended. Visually impaired pedestrians who use the contact cane technique for mobility can easily identify raised center lines without the confusion and wide roaming that walking between widely spaced pavers will entail. Similarly, detectable warning surface treatments should mark the boundaries of pedestrian refuge islands around the circle.
- Install cues for the visually impaired at crossings. Locator tones, and detectable warnings for the impaired should be standardized to eliminate confusion. Also the use of “rumble strips” or sound generating pavements at entry and exit points would help pedestrians know when it is safe to cross.

A Technological Solution to Reducing the Threat from Red Light Running

The running of red lights as well as failure to obey direction signs (e.g., Stop/Yield) are the most reported causes of motor vehicle accidents in Detroit. According to the Insurance Institute for Highway Safety, about 400 of the pedestrian deaths each year in the United States are caused by drivers who run red lights. One study found that, on a 24-hour average, motorists were likely to run a red light at the monitored intersection about three times per hour. Sadly, this fact can be verified by monitoring traffic flow just outside the major pedestrian entrance to Detroit’s City Hall on any day of the week. To make matters worse, there is no police enforcement taking place at all. Probably because:

- **Police do not have the financial resources to patrol every intersection constantly.**
- **Police Department staffing concerns and repeated tight operating budgets have made ticketing vehicle drivers low priority.**

The Ombudsman’s Office has consistently recommended the use of traffic safety cameras in Detroit. Traffic safety cameras that are mounted on a pole and wired to traffic signal lights are commonly called “red light cameras.” They operate off of sensors buried in the intersection. If a vehicle crosses the sensors while the light is red, it triggers the camera which produces a photo showing the car, its license plate, and the date and time of the

violation. Police mail a ticket with the photo to the vehicle's owner, who then can respond to the charge through the usual court appeal process. **Red light cameras have been proven to reduce light running by up to 60 percent where used. More importantly, they have proven to effectively reduce pedestrian injuries at high injury locations.**

Some of the safety results that have been realized after installation include:

- Los Angeles – 92 percent reduction in violations after one year.
- San Francisco – 10 percent reduction in intersection collisions citywide after six months and 40-45 percent reduction in violation rates.
- Charlotte, NC – 72 percent reduction in collisions at 20 monitored intersections.
- Oxnard, CA – 40-45 percent reduction in violation rates.
- Fairfax, VA – 40-45 percent reduction in violation rates.

Barriers to the use of traffic safety cameras in Detroit primarily have focused around cost variables and the lack of state legislative approval for their use. The Ombudsman's Office feels that both of these obstacles can be eliminated. All that is needed now is a commitment by City leaders to make that happen.

One of the arguments used by opponents of traffic safety cameras is that their acquisition costs are prohibitive. With no dedicated funding source, their installation costs would prove to be real budget breakers. Red light cameras are expensive, they run about \$50,000 each. Installation and sensors for them cost about \$5,000 per intersection. However, each camera can be moved to various locations, allowing communities to move them between sites without drivers knowing which ones are active at any given time, thereby, making them an effective deterrence for traffic violators.

Proponents of safety cameras counter that the start-up costs are offset by fines paid by violators, by savings from accidents prevented, and by freeing police to focus on other matters. One cost-benefit analysis compiled in 1996, claimed that the cameras actually paid for themselves several times over in the first year of operation when all of the economic and social benefits were added up.

The Ombudsman's Office does not support the above line of reasoning because it tends to depict these life saving devices primarily as revenue makers – a line that the courts do not approve of. **However, there are other options that can be used to finance traffic safety cameras.** The Administration's proposal to spend \$10 million on Public Lighting repair projects is one possible solution. Perhaps some of that funding could be earmarked for the acquisition and installation of cameras, and then repaid with cash flowing into the general fund as a result of their use. At the federal level, **another source of financing can**

be secured through Federal Transportation Department ICTEA grants. Again, what is needed though, is determination by the Administration to follow through on seeking the funding.

Overcoming the Unfairness Question

Other opponents of traffic safety cameras argue that a lack of procedural guidelines at the state level makes it too easy for municipalities to use them as revenue tools rather than to enhance road safety. This argument stems out of action by the Automobile Association of America to pull its support for the Washington, DC camera enforcement program in 2002 when it discovered that the Police Department collected more than \$6 million per year in fines through the program. **However, recent court decisions in California and other states supporting their use have helped set many procedural guidelines that can more than satisfy accusations of unfairness and other legal objections to them that have been raised, such as concerns about due process rights, privacy invasion, etc.**

Based on the fact that traffic safety cameras have surmounted legal challenges and are currently operating in 15 states, including major cities such as New York, NY, Los Angeles, CA, and Phoenix, AZ, the Ombudsman's Office believes that a strong lobby effort should be mounted in Lansing to encourage legislation allowing their use.



Parking Lots and Signs

Four years ago the Ombudsman's Office revealed that a survey of parking lots and garages throughout the Central Business District found that very few of them had any exit signs that caution drivers who were exiting to yield for pedestrians. That condition is still quite common and poses a serious threat to pedestrians.

As more parking garages are being built right to the lot lines of existing parcels, the ability of drivers to see pedestrians as well as oncoming traffic is becoming even more of a concern. Therefore, the Office of the Ombudsman is again recommending that action be taken to minimize risk to pedestrians from the threat of motor vehicle egress from parking lots. The installation of speed bumps and appropriate signage at exits need to become a required licensing condition for operating parking lots and structures in high density commercial areas, such as the Central Business District.

The absence of adequate signage to protect and warn pedestrians is another concern that is consistently ignored at the expense of pedestrian safety. One type of signage that is conspicuously absent from all of Detroit's major surface streets are those warning drivers that they must stop or yield for pedestrians crossing with the light. That additional signage, combined with ticketing, would be a highly effective educational tool for high risk intersections throughout Detroit, not just downtown.

Yield to Pedestrian Signs

Five years ago, the city of Madison, Wisconsin, conducted tests to determine if regulatory in-street "Yield to Pedestrians" signs could change motorist behavior relative to yielding to pedestrians at marked crosswalks. They worked! The signs were mounted in the street on flexible posts designed to fold down on impact with a vehicle – but to spring back up and face traffic. Results of the tests showed that the percentage of drivers yielding to pedestrians increased significantly.

The Ombudsman's Office recommends "Yield to Pedestrian" signs as a low cost way to produce positive results against pedestrian injury accidents in Detroit. Budget funds appropriated for their use would be money well spent.

Conclusion

With an appalling pedestrian injury and mortality rate that is more than twice that of New York City, even though it has only one-eighth the population, Detroit has made no progress in erasing its image as a city where walking is not good for your health.

The grim pedestrian safety record that Detroit has can be attributed to many factors. Elements such as roadway design, street lighting, absence of signage, encroachment on sidewalks, and disinterest by the traffic enforcement community enter into the formula. Certainly, pedestrians share a good deal of the blame along with motor vehicle operators. But one of the primary reasons is that over the years, traffic improvement programs have concentrated on improving roads and traffic controls in order to facilitate the safe and efficient movement of vehicles. These improvements have come at the expense of pedestrians.

The Ombudsman's Office believes that the Detroit economy can no longer afford to put up with the human loss, economic loss, and loss of development potential that its pedestrian safety record has created. **The lethargy in confronting this problem that has dogged efforts to resolving the problem over the past decade is the first area where efforts to improve pedestrian safety can show the quickest results.** While we understand that fiscal deficit problems will preclude adoption of major capital improvement projects to restructure the physical environment that could promote safe walking, we believe there can be no reason that the first steps cannot be taken to make Detroit a pedestrian safe city. The actions that we have recommended can do just that.

EXECUTIVE SUMMARY

ECONOMIC DEVELOPMENT ISSUES

ELIMINATING ROADBLOCKS AND EXPANDING EXISTING OPPORTUNITIES

Detroit is not the only city in America that is experiencing a fiscal crisis. In many ways, it seems that we are experiencing a return to the bleak years of the 1970's when urban America collectively went broke. Today, escalating expenses combined with shrinking and disappearing revenue sources have come at a time for many cities when ambitious, and often overextended, choices to build new engines for economic development have not been able to begin paying off.

This portion of the Budget Analysis examines three areas of economic activity that the Ombudsman's Office believes Detroit should utilize to help put it back on the road to fiscal solvency. The first section of our report looks at recommended ways to eliminate the number one reason that discourages housing investment in Detroit. The following two examine current growth sectors in the national economy and discuss how Detroit must use them to capture additional direct revenue and incorporate them into a sustainable economic base.

Following are the major Ombudsman recommendations found in these three sections:

1. Initiating Tax and Revenue Measures

- **Eliminate the property tax rate inequity** that cripples development of a sustainable Detroit housing economy.
- Form alliances with adjacent communities to **lobby for a "fair-share" of state revenue sharing dollars**. Also **implement regional tax-base sharing programs** wherever possible.
- **Reduce the number and types of exemptions** to City property tax.
- **Include cellular phone users in the Detroit utility users tax base**.
- **Charge impact fees** to allow development in high demand or special use districts.
- Begin effort to **increase the state sales tax or "piggyback" on any proposed regional increase**.

2. **Benefitting from a 21st Century Transportation Economy**

- Provide infrastructure support (land and buildings) **for intermodal passenger transportation industry.**
- **Support development of information linkage industry** necessary for meeting the needs of intermodalism.

3. **Expanding Detroit's Share of the Tourist Economy**

- **Capture more revenue generated by the recreation industry** for Detroit's economic base. Follow-up on river front parks, marina, and tourist oriented development with campground sites.
- Utilize existing historic sites to **build a foundation for heritage tourism.**

FORCES SHAPING DETROIT'S ECONOMY

On March 4, 2004, the National League of Cities (NLC) released findings from its "State of America's Cities" survey, that revealed that the economic quality of life for citizens as well as municipal fiscal conditions have continued to worsen. **Sixty-five percent of all responding governments reported that the effects of underfunded federal mandates have created the most serious fiscal problems that they have had to confront in more than two decades.** That struggle is not likely to change during the upcoming fiscal year since state aid to municipalities is unlikely to increase.

In Michigan, state budget deficits and expected revenue shortfalls have severely lessened the transfer of state funds to local governments for several years and does not appear to be getting better in the near future. Detroit, for example, has lost more than \$36 million in state revenue sharing since fiscal year 2001-02. When further revenue sharing cuts were announced in 2003, the City Administration indicated that it had already begun to evaluate what services might have to be reduced because of those cuts.

There is no doubt that many of America's cities and towns will continue to experience a gap between revenues and expenditures. Making things worse, rising employee salary and fringe benefits, increasing pension obligations and sky high increases for providing police and fire protection due to homeland security mandates make it increasingly hard for them to fund budget activities. **The NLC reports that well over half of the cities it polled are responding to the crisis by raising user fees for services and dramatically cutting investment in infrastructure and maintenance; many are laying off city staff, including police and firefighters. Unfortunately, these actions usually only make matters worse by putting a damper on opportunity for development and create a downward spiral of cuts that make it impossible to maintain levels of service to citizens.**

The one bright spot that the NLC survey did find was that while the general economic conditions in cities were declining across America their "downtown economies" were experiencing unprecedented vitality. This growth has been influenced by the practice of deliberately allocating the majority of economic development planning and funding to high profile projects downtown.

In Detroit, it appears that an economy based on sports, entertainment, corporate offices, and higher income housing is finally emerging within the boundaries of the downtown sector. Unfortunately that has not been enough to improve the fiscal health of the City as a whole.

Urban Sprawl

Urban sprawl gets much of the blame for the declining economy of our cities as well as for the disappearance of prime land necessary to support Michigan's agricultural economy.

Against a national background of fiscal uncertainty, Governor, Jennifer Granholm's efforts to curtail urban sprawl in Michigan by rebuilding cities and using "smart" land use planning to improve the state's economy has been slowed by a state budget deficit. That will limit public investment in the creation of urban housing, and other programs designed to curb sprawl and shore up the economic life of Michigan urban centers.

Michigan is one of the nation's leading states for urban sprawl despite the fact that it has one of the slowest population growth rates. To get an idea of how bad the problem is, consider this: Projections indicate that if Michigan's population increases by just 5 percent in the next several years, corresponding land use will increase by nearly 20 percent.

Governor Granholm's twelve step anti-sprawl agenda is one of the most comprehensive land use policies advocated by a Michigan Governor in over 30 years. The Michigan Land Use Leadership Council (MLULC) that was formed to come up with a plan to curtail sprawl, has already influenced the sponsorship of anti-sprawl legislation, including a plan for local governments to assess how much water is available before they issue permits for new houses, businesses and industries. The intent of the proposal was to avoid the water shortages that have troubled communities near Saginaw, Grand Rapids and in Oakland County because of runaway development. The Governor's "Smart" growth policy demonstrates a growing awareness that the future security of cities depends heavily on improving the lifestyle choices they can provide for families, talented workers, and businesses.

The Governor's Smart Growth Initiative may indeed benefit the state's ailing urban centers. However, until the states current fiscal crisis is resolved, we do not expect the program to help Detroit resolve its own economic difficulties. **For the future Detroit must continue to devise achievable solutions to its own economic crisis.**

Detroit, like most other struggling municipalities at the close of the 20th Century, chose to implement economic development programs that were focused on changing the kinds of jobs and the types of businesses as well as the quantity of higher priced housing located within City boundaries in order to spur economic growth that would, hopefully, improve the municipal balance sheet.



For more than a decade, Detroit policy makers have directed the majority of economic development funds to high profile commercial projects downtown as well as upscale housing starts along the water front and Woodward corridor. However, while these pieces of the development puzzle have been locked in place, they have come with a stiff economic price.

Opponents of the development strategy that was chosen, argue that tax concessions and federal grants that were given did not spin off economic benefits beyond the small sector where they were used and have not significantly increased the City's revenue.

The Ombudsman's Office believes that the City's allocation of the majority of its development dollars as seeding for an influx of jobs, businesses, and residents downtown will eventually bear fruit. The high-tech jobs that were created have brought sought after jobs into the Central Business District: Hotel construction and renovation, spurred by the City's Super Bowl selection, is adding greater room capacity to the area; and, high-end loft conversions, now coming on line, are increasing the residential presence downtown.

As pointed out in last years Budget Analysis, care needs to be taken to insure that residential loft development cannot impose unseen budget costs. For example, **if residential lofts are allowed to retain their commercial tax rate classification (a common practice) they can deny the City Treasury a significant source of tax revenue every year.**



The commencing of a massive infrastructure rebuilding project downtown that is to begin in April 2004, is also a cause for concern. Administration officials have described the \$35 million project to replace water and sewer lines in the Central Business District as a "massive rebirth" planned for downtown. But the primary catalyst for the activity appears to be the need to fix-up that area of the city in time for it to be showcased for the baseball All Star game in 2005 at Comerica Park and the Super Bowl in 2006.

While the project makes sense, and will eventually reap benefits for the downtown economy, the Ombudsman's Office points out that **safeguards must be put in place to insure that operating businesses will not be isolated from their customers and delivery vehicles will be provided access to those businesses with as little inconvenience as possible.** The Ombudsman already has received reports of businesses

that, lacking clear information on the project, have already begun moving segments of their operations to other communities in order to avoid anticipated construction problems.

Related to the downtown project, another budgetary concern that we have is the question of what scheduled infrastructure repairs to other areas of Detroit may be put on hold during this 18 month initiative downtown? The fact that the Detroit Water and Sewerage, Public Works, and Transportation Departments are providing financing, means that similar improvements in other areas of the City may be affected. **While the City makes it a priority to target public improvements to streets, parks, and lighting for development downtown there is also a strong need for that in the other neighborhoods.** The Ombudsman's Office believes that there has to be room in the Fiscal Year 2004-05 budget to generate economic development initiatives outside of the Downtown, New Center, and Riverfront areas of Detroit. Following are three recommended strategies for accomplishing that. All of them are designed to increase revenue and economic growth while expending minimum of budget dollars.

1. Initiating Tax and Revenue Measures

Detroit's unbearably high property tax rate is one of the greatest barriers to achieving a sustainable economy. Even though general property taxes in Fiscal Year 2003-04 only accounted for about 7 percent of the budget revenue, they are levied at the maximum authorized tax rate allowed by the state. This makes it extremely hard to attract growth industries and job providers unless they are provided hefty subsidies or long-term tax breaks. One need only look at the hundreds of housing subdivisions and commercial plazas that builders are putting up in the suburbs to realize that people and housing money flow to areas where taxes are low. Buyers who want to get the most house for their money tend to build or buy where taxes are minimal. Low tax rates in nearby Macomb Township are credited for the two dozen subdivisions currently under construction as well as the thirty others scheduled to break ground this year.

The Citizens Research Council of Michigan points out that Detroit's relative tax effort is nearly seven times the average of other Michigan cities, villages, and townships. With tax rates like that, it is not surprising that, except for projects that receive significant tax abatements, there has been very little housing constructed in Detroit. In comparison, a Detroit house taxed on \$105,000 value would pay about \$2,508 per year on taxes while one valued at \$143,000 in a nearby suburban township would only pay about \$1,700.

The high property tax rate effectively discourages new home buyers from selecting unsubsidized housing in Detroit, thereby, shutting down any attempts to convince builders of market rate housing to invest in creating Detroit subdivisions. The high property tax rate also hastens the departure of citizens who want to "move up" to better housing. **Because taxable values are uncapped whenever home**

ownership changes, people who live in Detroit move outside the City to purchase replacement homes that can provide more for their tax money.

A cycle has been established in Detroit where high property taxes create less home buying activity which, in turn, leads to higher taxes in order to support dwindling City services. Until this cycle is broken, Detroit will continue to suffer a net loss in housing every year.

The Citizens Research Council of Michigan has pointed out that lowering Detroit property tax rates (seeking options to reduce property tax rate) will attract more investment and will expand the property tax base, eventually producing a more stable and greater revenue stream for the municipal treasury. However, getting there poses a political hurdle that no administration has been willing to face.

The Ombudsman's Office believes that the fiscal crisis that is currently threatening to bankrupt several major American cities should serve as a wake up call for Detroit. **A stronger effort must be made to lower the oppressive property tax rate that is imposed on Detroit home owners.** Lower rates would open the way for first-time buyers as well as replacement buyers to achieve housing value. **The practice of creating commercial and housing opportunity in Detroit by depending on building projects that only work because of tax abatements and borrowing from expected future federal block grant funding is not a wise choice. The sooner that tactic can be abandoned – the better.**

Mayor Tom Murphy of Pittsburgh, PA seems to realize that his reliance on traditional practices to attack the cities' growing financial woes was ineffective. Like Detroit, Pittsburgh pinned its economic turnaround hopes on building a downtown sector that included new stadiums, a civic center and new upscale housing. He remarked to the Pittsburgh Post Gazette recently that he should have explored tax reform earlier. Speaking about the reasons that pushed the city into bankruptcy, he stated that the cities' economic woes **could be directly attributed to a "failure to modernize the local tax structure to meet today's realities."** He then went on to take responsibility for not pushing harder and earlier to change the property tax structure.

The high property tax rates that Detroit levies clearly need to be lowered in order to attract development. Lower rates of taxation would attract more investment, which would result in growth in the tax base, eventually producing more revenues than are obtained at higher rates. But, until the state changes the revenue sharing formula that currently is in place and allocates more funding to Detroit so that lower rates can be achieved, the only way that housing will continue to be attracted is through the continued granting of tax abatements and other concessions that will continue to push the City towards fiscal bankruptcy.

Joining Forces For More Equitable Revenue Sharing

Last year, the Ombudsman suggested that the Administration join forces with the older suburban communities in southeast Michigan to press for changes in the way that the state apportions revenue sharing money. It is imperative that a unified coalition message about the need for additional revenue sharing be transmitted to the Michigan Land Use Leadership Council as well as to the Governor and all state legislators. **Increases in revenue sharing money would allow a decrease in property tax rates to fall below the allowable City Charter maximums that are currently in place.**

Realistically, at this time, the chances of influencing the state to change its revenue sharing formula so that Detroit can receive additional money in order to reduce the property tax rate appear to be slim. Facing a massive budget deficit of its own, Michigan recently reduced Detroit's share more than \$15 million. **While the Ombudsman's Office recommends that Detroit join a lobby effort to influence state action to bring down property taxes, we realize that other options need to be explored.** Some of them will not be very palatable to special interest groups. But, if we wish to position Detroit's economy where it will be able to benefit from sustainable growth in the 21st Century, they will have to be investigated. **Following are some options that could provide long-term solutions to elimination of the property tax inequity that seriously limits the Detroit economy:**

- **Broaden the property tax base** by eliminating many of the special exemptions that are routinely granted. Allowing a broader collection base will create lower rates. The current property tax base erosion has been the consequence of state and local governments granting partial or total tax exemptions for designated groups.
- **Tax newer forms of wealth** that are attendant to the information-technology industry. Oakland, CA, for example, imposes a utility tax on calls by cell phone users with an Oakland service address. This tax generates more than \$7 million per year. Detroit's utility users tax generates about \$54 million revenue per year, but excludes cellular telephone use. Including this group in the formula could generate between \$7 – \$10 million per year increased revenue.
- It is also worth **exploring an impact fee** scenario for new development in high-demand areas of the City or **for special use districts**. Impact fees are an accepted method to recover costs of infrastructure, services, and amenities within the framework of sensible development regulation.
- **Expand the sales tax.** Generally, voters are not willing to increase sales taxes. A regional sales tax would not be advisable because consumers would

save considerably by purchasing big ticket items in nearby counties and regional businesses would be hurt. However, given the massive cutbacks in services that are being felt statewide, a sales tax increase that would also benefit every section of the state just might be easier to sell. Detroit's share of a one percent sales tax increase could be in the neighborhood of \$72 to \$80 million per year.

- **Explore tax base sharing.** As we pointed out in last year's Budget Analysis, Governor Granholm's smart growth initiative provides Detroit with an excellent chance to reduce some budget expenses through tax-base sharing. Tax-base sharing is different from state revenue sharing in that it allows individual taxing bodies to directly share revenue with each other, in addition to the state formulated reapportionments. **A Detroit tax-base sharing plan that would share southeast Michigan's commercial, industrial, and residential tax bases could significantly reduce Detroit's property tax rate inequity.**

2. **Benefitting from a 21st Century Transportation Economy**

Transportation that is dependable and reliable is one of the core services that cities must provide in order to remain competitive in the 21st Century. However, transportation is also a development tool that can be used to attract and generate long-term economic growth. It is in this capacity that we discuss it here.

Intermodal Passenger Transportation

In Detroit, whenever talk of intermodal transportation comes up, it usually centers around projects to capture income generated by the freight handling industry. Recent projects have been along such lines. Nationally, intermodal operations encompass shipping, trucking, air, and railroad cargo handling. By developing shared transfer terminals, private industry has found ways to increase profitability while creating a seamless more efficient delivery vehicle for its products.

The freight industry has had more than 40 years to perfect the intermodal approach to moving products. Meanwhile, movement of passengers continued to be seen as progressing through separate and disconnected stages until the early 1990s. **In 1991, the Intermodal Surface Transportation Efficiency Act (ISTEA) and again in 1998, the Transportation Equity Act for the 21st Century (TEA-21) recognized the importance of passenger intermodalism.** Benefits cited include:

- Lowering national transportation costs by allowing each mode to be used for the portion of the trip for which it is best suited;

- Increasing economic productivity and efficiency for cities and their regions, thereby enhancing the nation's global competitiveness;
- Reducing the burden on over-stressed infrastructure components by shifting use to infrastructure with excess capacity;
- Generating higher returns from public and private infrastructure investment;
- Improving mobility for the elderly, disabled, isolated, and economically disadvantaged.
- Reducing energy consumption and contributing to improved air quality, and environmental conditions.

Since the passage of ISTEA limited forms of passenger intermodalism have made some progress in Detroit. For example, a new AMTRAK intermodal passenger terminal facility was constructed in the New Center area that provides a direct link between existing rail passenger service and the Woodward Transit Corridor. It connects to Greyhound and local bus service, taxi service, and Canadian rail service. Although, the fact that it has not direct linkage to major air carriers limits its effectiveness.

Obstacles to Intermodal Passenger Facilities

The two main obstacles to providing smooth and seamless intermodal passenger connection in the United States have political and technical roots.

1. **Political:** Airports exercise complete decisional authority as to which ground transportation service providers they will deal with. Commitment to the transmodal passenger service would call for them to give up some of that control.
2. **Technical:** There is no mechanism for listing intermodal travel plans in current travel agency computers. A web site or reference line where potential passengers can find that information is critical for passenger intermodal success.

Actually, **the technical difficulties confronting intermodal passenger travel also present an additional economic development opportunity.** The need to develop better coordination among each of the intermodal travel modes means that improvements in physical connectivity and information sharing will spin off separate companies devoted to connecting transit modes by issuing tickets and making reservations. When this is accomplished, a person will be able to purchase one ticket for all phases of a trip. Whether it be for intra-city or around the world.

Individual companies within modes will work with each other to provide a better combined service for the consumer.

Intermodal passenger transportation also differs from intermodal freight handling in that it must rely on the public sector to provide infrastructure pieces, such as terminals, as well providing the land they sit on, so that private transportation services such as airlines, bus companies, and passenger rail, can all connect. Whereas intermodal freight handling needs minimal government participation, mostly in the form of facilitating the assembly of land for its activity, **intermodal passenger handling needs extensive public sector involvement from the initial startup and continuing through implementation.**

Intermodal Passenger Transportation and the Detroit Economy

The Ombudsman believes that it would be a worthwhile economic development strategy to seriously consider using an existing City-owned asset to act as the linchpin for an intermodal passenger system for the region. Turning the Detroit City Airport into such a facility, would provide travelers an interface where they could begin a journey that would eventually connect them to any place in the world.

The Ombudsman believes that development of the City Airport as an intermodal passenger center is an action that could enhance the ability of Detroit to build a competitive economy well into the 21st Century. Detroit put the world on wheels during the 20th Century. Why shouldn't it continue to lead the transportation revolution in the 21st?

3. Expanding Detroit's Share of the Tourist Economy

The tourism economy functions quite differently from other sectors such as manufacturing and the high-tech information economies. In manufacturing, for example, there is a major force such as an auto plant that is the "raison d'être" of the sector. Jobs and other events (supplier firms) spring up to serve that source and, using latest technology and management procedures, stake their fortunes on manufacturing decisions made by the primary customer they serve.

Manufacturing jobs contribute relatively high wages to the local economy. As a result, communities enter into bidding wars with each other and are willing to grant large tax breaks in order to persuade the industry to locate in them: trading off fixed tax revenue for anticipated gains to the economy through wages, salaries, and expanded consumer spending.

The tourism economy, on the other hand, is one composed of individual sectors that can grow independently but, when properly linked, can be a

substantial source of jobs and revenue for municipalities. The more linkage:
The more economic growth.

During the year 2000, tourists in Michigan spent approximately \$8.9 billion for out of pocket expenses independent from air fare. While we often think of tourism as an industry that is located “up north”, the fact of the matter is that **three of the top seven destinations counties in the state are Wayne, Oakland and Macomb.** The \$8.9 billion that was spent in 2000 had a total effect upon the state economy of creating 209,000 jobs, that accounted for a \$4.3 billion payroll and increased the additional value added to the economy by \$6.9 billion. Generally, between 70 percent and 90 percent of visitor spending is captured by the local economy.

Estimating revenue impacts of tourism on local economies is relatively simple. Spending profiles have been developed for five major subgroups of visitors. These are day visitors and overnight visitors staying in:

1. Motels, B & B's and other commercial lodging
2. Campgrounds
3. Owned seasonal homes
4. With friends and relatives.

Tourism can have a very strong impact on the local economy. For example in 1996, approximately \$132 million was paid for wages and salaries associated with tourism in Wayne County,

Last year the Ombudsman's Office pointed out that tax revenue from the casino gaming industry is a welcome source of revenue to the City treasury. **However, expectations that the gaming industry would establish a foundation for a tourist sector in the Detroit economy have not materialized.** Recent concessions granted to the three casino operators have even reduced the number of hotel rooms they are required to build. Additionally, a \$60 million commitment from the industry that was to be earmarked for neighborhood small business development in Detroit was altered. Finally, the casinos continue to attract tourists who are primarily day trippers and do not spend a lot of money in the community.

As it is now, even when the three permanent casino complexes are constructed, it appears that they will function more as stand-alone destinations. We can expect to see that each casino will have retailing, restaurant, meeting space, and recreation (non-gambling) facilities designed to enhance their own fiscal health. Therefore, much of the tourist dollars not spent on gambling that might be anticipated to filter

to the surrounding community will be retained in-house with minimal multiplier benefits for Detroit's economic base.

Much has been made of the fact that public/private partnerships are going to be one of the key shapes of 21st Century city economic development strategy. However, the Ombudsman's Office does not feel that the casino gaming industry will be especially motivated to take on, at their own cost, the building of a Detroit tourist economy. It will be up to local planning initiatives to devise ways to build tourism as a significant contributor to Detroit's economic base.

Capturing New Tourist Economy Dollars

About \$534 million in Michigan tourist lodging expenses for the year 2000 was spent by campers. About 13,000 jobs were directly created by the camping sector of the tourist industry and accounted for \$160 million in wages and salaries. Yet in Detroit, not one penny was directly realized from that sector nor was one additional job directly created as a result. About the only benefactors of this type of tourism were support services such as sporting goods sales, travel firms, etc. which received secondary spending benefits.

Detroit is a major international gateway and one of the nation's busiest border crossing. However, the focus on capturing the economic benefits from the Ambassador Bridge and Detroit/Windsor Tunnel commercial activity overpower the fact that they also are major carriers of tourist travelers. As it is now though, tourists with campers and RV's are forced to journey well beyond Detroit before they can stop for the night.

The Ombudsman's Office believes that a dependable, cost effective way to increase the number of tourist visits to Detroit is to invite new kinds of visitors who have been previously overlooked. The Ombudsman's Office is recommending that the Administration take action to capture revenue that can be generated from the camping industry for the Detroit economy.

Detroit's location as a hub of entry for international recreational travelers would comfortably be able to support campground activity. In addition, the number of conventions, sporting events (remember the All-Star game and Super Bowl?), festivals, and others would create additional "destination pull" that would ensure high occupancy rates. Indeed, one industry representative who was contacted during our research opined that the only problem that he could see would be that it might be necessary to limit the number of nights that campsites could be rented to individual campers in order to meet the demand that could be generated. Wouldn't that be a nice predicament to be in!!

The Detroit Metropolitan Convention and Visitors Bureau reports that in 2001 approximately 10.2 million guests spent at least one night in Metro Detroit. About 2 million of them stayed in hotels or motels. Camping industry spokespersons that the Ombudsman has talked with feel that it should initially be possible for Detroit to attract 27,000 to 30,000 campsite visits per year if it were to have established camping facilities available.

Using tourist industry estimates, it has been calculated that at least \$3 million could be directly added to Detroit's economy in the first year of operation of a Detroit campground. A small site that might reach minimum projections could be expected to create more than 40 jobs that would generate a payroll of at least \$900,000. But as the number of campsite visits per year increases – so too would the local job base. That first year could also see much needed budget revenue for Detroit coffers grow by \$150,000 to \$200,000 per year just from sales tax, lodging tax, and personal income tax collected – a figure that could increase many times within the next decade.

The revenue figures that have been used are for a medium size campground that would operate primarily during traditional camping months. **Year round operations, as well as locational choices could greatly increase first year projections.** For example, a site located on the river and linked to bike paths, nature trails, and other recreational opportunities could be expected to generate considerably more revenue.

The Chicago Lake Front bicycle path, for example, has become one of the most popular tourist attractions in that city. No matter where you are along this 18.5 mile long linear park, the city's magnificent skyline stands out. The path winds through city neighborhoods, city parks and fountains, Lake Michigan beaches, picnic areas, playgrounds, a golf course, marinas, volleyball and tennis courts, and soccer and ball fields. It also links to the Navy Pier eating and boutique districts and, in general, allows campers to enjoy the best of urban tourist opportunities.

Given the fact that the Southeast Council of Governments (SEMCOG) regional development forecast predicts that Detroit will lose more than 11,000 jobs between 2000 and 2005. It seems that it is about time to start developing new job sources like those that the camping industry can bring to the Detroit economy.

Utilizing the value of the camping sector as another building block of a sustainable Detroit economic base is just one of the tools that need to be used for expanding Detroit's share of the Michigan tourist economy. Another tool that could be quite successful is that of utilizing historic resources better.



Historic Resources and the Tourist Economy

Another barrier to expanding the tourist economy in Detroit has been the reluctance of every administration for the past 50 years to actively encourage the development and use of historic resources. City-owned historic properties have been ignored by an economic development policy that continued to see them as nothing more than a land resource. If old buildings could not be developed, they were turned into parking lots all too quickly.

A growing tourist economy cannot exclude any resources. **Tourism that relies only on new attractions created with long-term tax abatements and other up front revenue concessions, does little to create guaranteed revenue for the municipal budget.** A cautionary example of what such strategy has produced elsewhere is this:

Pittsburgh, PA which was forced to request designation as a Distressed City with the State of Pennsylvania, recently built two sports arenas and a new convention center downtown in its quest to create economic development. Although those were touted as the foremost development tools for fueling the downtown economy and building the basis for a tourism tax base, they most recently have been described as part of that cities' acceleration into bankruptcy.

The Ombudsman's Office once again reminds the Administration that the successful cities that are world leaders have long recognized the important linkage of historic resources to economic development. Visiting historic and cultural sites is one of the most popular national tourist activities today. According to a recent study by the Travel Industry Association of America, people who engage in historic and cultural activities spend more money and visit an area longer than many other travelers. A 2001 survey showed that visiting historic sites ranked second only to shopping in the list of activities preferred by tourists.

Other cities have discovered that linking history with tourism is a sound economic development tool. **Cities such as Savannah and Atlanta, Georgia, have spotlighted their African-American history**, for example, and have helped the tourist sector organize successful tours built around it. **Heritage tours that are walking oriented, as well as conducted by motor coach, are an important element in those city's economies.** While in Detroit it continues to be left pretty much in the hands of history buffs, civic boosters, and private entrepreneurs, to facilitate that linkage. The Ombudsman's Office has repeatedly brought the subject up in our yearly Budget Analysis that there are many physical sites in Detroit that lend themselves to stimulating a tourist economy. What is missing though, is an effort to link them so that they can contribute to that economy.

The current boundaries of Detroit have been established through the assimilation of many older communities that were once neighboring villages and towns. Although their names have been removed from the map, many of the surviving architectural and cultural features provide an opportunity for economic development activity. In addition, we have existing clusters of industry and commerce which could be adaptively reused in a historic preservation context.

Last year we pointed out that in Northeast Detroit (CRS Cluster #1), many original buildings from the Village of Norris are standing. This Civil War era town was built by a noted 19th Century American explorer, Philetus W. Norris, who blazed some of the original trails in what is now Yellowstone Park. Mr. Norris also is credited with establishing the first civilian detachment of national park rangers.

Other villages, towns, and historic sites throughout Detroit and the region offer opportunities for economic development that need to be capitalized on. Like the "Olde Towne" sections of Boston, Chicago, or San Diego and the unique downtown neighborhoods of San Francisco, they are compact areas that can be easily covered by tourists on foot. In addition, many of them have enough of the original infrastructure, i.e., churches, bars, and hotels remaining that they can mix culture with commerce. In the case of "Norris-ville," officials in Yellowstone Park have even indicated that they would tie that community's history to exhibits in their own museum. That is exactly the type of linkage that tourist economies need to cultivate in order to create reasons for visitors to make them a destination.

Numerous single site locations in Detroit also abound that have the potential of becoming museums. **These stand alone sites provide the foundation of heritage tourism activity – which today is one of the fastest growing niche market segments in the travel industry.** Examples of such sites in Detroit are numerous. The Greater Corktown Development Corporation is currently restoring an 1840's Workers Row House (tenement) on Sixth Street as a museum and interpretive educational center that will tell the history of working class emigrants from the late 1800's through mid 20th Century.

In addition to the sites we have already listed, Detroit's local historic districts and National Register Listings offer an enormous pool of Detroit sites that could be utilized to feed the growth of heritage tourism in Detroit.

EXECUTIVE SUMMARY

MEETING THE AFFORDABLE HOUSING NEED



The disappearance of affordable housing for Detroit's citizens is more than a question of fairness. It is also an economic problem that negatively affects the yearly budget. Over the past 30 years it has been an unstoppable force for reducing operating revenues while increasing the cost of providing municipal services.

The Ombudsman's recommendations that follow in this section offer changes that can be incorporated in policy decisions so that affordable housing can be made available through rehabilitation strategies, construction techniques, and a wide variety of other options.

Following are highlights of the main recommendations in this essay. The Ombudsman's Office recommends that action is taken to:

- **Implement a preservation initiative for affordable housing in Detroit** modeled after the Chicago Bungalow Initiative. Through the use of historic designation, tax credits and incentives, loans, and grants Chicago has strengthened a large pool of affordable neighborhood housing as well as make its older neighborhoods destinations of choice for home buyers.
- **Utilize factory built units** to build more affordable housing, as well as create a home based industry for neighborhood economies.
- Reduce disinvestment in affordable housing through **adoption of property tax-rate relief** and regulatory changes.
- **Eliminate the "uncapping shock"** that has crippled the retention of affordable housing in Detroit.
- **Allow developers to contribute equity funds for low-income housing construction**, or pay a fee into a designated housing trust fund as a requirement for all building projects. A Land Bank Authority or Housing Trust Fund could be the depository agent.

- Change the zoning review process to expedite construction and renovation time. Grant **new construction building permits “by right”** instead of “by case”.
- Adopt policies to **facilitate the formation of equity cooperatives. Insist on the “right of first refusal”** for tenants of all federal, state, and locally supported housing providers.
- **Speed up implementation of a Detroit Land Bank** to obtain property for affordable housing, manage equity co-ops, and clear property titles for housing development.
- **Create a local affordable Housing Trust Fund** with a dedicated revenue source to finance a wide variety of housing options. Best possibility for single source financial sustainability is to link with a statewide or regional sales tax initiative.
- **Utilize land trusts and second mortgages** to preserve purchase prices and keep affordable housing affordable.

MEETING THE AFFORDABLE HOUSING NEED

The Affordability Barrier

Ten percent of all households in Southeast Michigan had incomes below the poverty level according to the 2000 Census. In Detroit, that same figure stood at 24 percent. (Down 31 percent from 1990 for a decrease of about 33,000 households.) While it may be tempting to attribute this drop to a strong national economy during the period that allowed households to afford better housing, the truth is that the figure has to do as much with the loss of eligible housing units during the same period, as it has with economic empowerment. Also, during that same period, the number of vacant units in the City of Detroit's housing stock increased from 9 percent to 10 percent.

Even though poverty rate statistics have dropped in Detroit, many persons who are actively working continue to struggle just above the poverty level in order to make ends meet. The federal department of Housing and Urban Development (HUD) estimates that **10 percent or more of Detroit's working families above the poverty threshold are included among the households that face critical housing affordability problems.**

According to the Michigan State Housing Development Authority (MSHDA), 62 percent of the households experiencing affordability problems today live in the central cities of Michigan's major urban areas.

The National Low-Income Housing Coalition (NLIHC) estimated that as of the year 2000, the estimated percent of households in Detroit who could not afford to pay fair market rent to live in housing adequate to meet their spatial needs were as follows:

One Bedroom:	34%
Two Bedroom:	40%
Three Bedroom	50%

Housing affordability is determined by comparing area fair market rent to local wage rates. Using these figures, it is possible to calculate the "housing wage" a full-time worker must make in order to afford housing expense without spending more than 30 percent of income. For Detroit in 2001, the housing wage was \$14.44. **Thus a minimum wage worker (\$5.15 per hour) would have to work 100 hours to afford a two bedroom unit.**

The Ombudsman's Office has consistently pointed out in yearly Budget Analysis Reports that the serious lack of affordable housing for Detroit's citizens is more than a matter of social equity: It is also an economic problem that has serious consequences for Detroit's neighborhood economies municipal budget.

Past reports have pointed out many of the obstacles that have inhibited the retention and/or production of affordable housing in Detroit. For example, last year, we discussed the fact that many private housing providers received HUD subsidies in exchange for keeping rent levels affordable to low-income tenants. As these subsidies have been expiring, however, many of the units have been reverting back to market rate – or demolished by owners who sense a chance to reap windfall profits through sale of appreciated real estate values. The affordable housing opportunities have been decreasing as a consequence of such activity.

The phenomenon of disappearing affordable housing opportunity can be easily observed in the Lafayette Park area today, as well as throughout the Woodward corridor and along the Washington Boulevard senior citizen apartment sector in downtown Detroit.

Prior Budget Analysis reports have also shown how factors such as planning and zoning ordinances, transportation infrastructure decisions, urban sprawl, and even the lack of coordination between municipal departments need to be addressed in order to resolve the problem of providing affordable housing to all of Detroit's citizens. In 1996, the Ombudsman's Office, at the direction of City Council, reviewed and analyzed the Planning and Development Department's record in handling the disposal of city-owned properties. While many of the concerns that we raised were addressed, by the Planning and Development Department, over the years, we have raised additional concerns about policies and programs the Planning and Development Department has initiated that have impeded efforts to preserve and provide affordable housing. We will not revisit those concerns in this analysis of the affordable housing crisis in Detroit, because they have been summarized in the progress report update section of this year's Budget Analysis Report.

Finally, the Ombudsman's Office has pointed out that one of the major roadblocks to providing affordable housing in Detroit, is that of land assembly and title clearance. However, a Detroit land bank authority that could resolve this problem is still not in operation.

In summary, Detroit has a very strong need for rental and owner housing units that are affordable to low and moderate income households. While previous budget analysis reports have suggested how the number of such units might be readily increased, that has not been occurring in significant enough numbers to turn around, or even stop, the flow of affordable housing choice out of the community.

This year the Ombudsman's Budget Analysis will recommend actions that can be taken to stop the disappearance of affordable housing choice in Detroit. Some of the recommendations, such as those dealing with land banking and affordable housing trust funds, apply to initiatives that are already under consideration by City Council. Others offer new approaches to conserving affordable housing stock as well as using tax incentives and regulatory changes to further investment in affordable housing.

NEW INITIATIVES IN PRESERVING AFFORDABLE HOUSING



Rehabilitation Efforts

The New Urbanist philosophy that emphasize the building from scratch of new communities that incorporate a fixed mix of affordable housing units in them is not the surest way that Detroit will satisfy the demand for affordable housing. Despite announcements that a sizeable portion of the City's far Eastside is to be rebuilt on this philosophy, it will be several years before anyone will be able to judge how effective that initiative will be. In the meantime, **the renovation of existing housing units throughout all city neighborhoods needs to be maximized in order to ensure the availability of urban affordable housing.**

The City of Chicago's Department of Housing recently created the Chicago Bungalow Initiative in order to address the issues of abandonment and decay that was affecting a large segment of that cities' housing stock. Launched in September 2000, benefits of the program apply to new buyers as well as existing owners. The program is administered by a not-for-profit organization. Through the use of historic designation, tax incentives, loans and grants the city is able to strengthen neighborhood housing while preserving affordable housing options.

The Chicago Bungalow Initiative was designed to save a particular style of residential units that were developed in 1919 and met a pressing demand for owner occupied housing during the strong growth period of Chicago's history. Over the years though, this type of housing, about 80,000 structures, that was built in a ring surrounding the central city, began falling into disrepair to the point that their use by future generations was threatened.

The Bungalow Initiative has been a huge success for saving affordable housing in the city of Chicago. Resources directed to the effort included local and historic tax credits, energy conservation grants, free architectural assistance, and expedited service from the city's zoning and building departments.

As a result of this initiative, Chicago has been able to strengthen affordable housing in neighborhoods allowing them to remain destinations of choice for new generations of home buyers. At a time when lake front real estate and high-rise condo living within the Loop is

booming, the bungalow program has been able to ensure that affordable neighborhoods also received the resources they needed to remain vital.

Like Chicago, Detroit has a variety of residential building styles surrounding the central city that have the potential to offer affordable housing opportunities. The distinctive characteristic about Detroit architecture is that, unlike most other major urban areas, the majority of residential structures built here were single family homes. A Mid-West version of colonial single-family homes dominates the housing scene. It is those houses that are vanishing from the affordable housing stock at an alarming rate today, and could provide the basis for a “Detroit Colonial” housing initiative.

Since the city of Chicago began its Bungalow Initiative, it has received inquiries from many municipal housing programs seeking advice on the use of housing types as the basis for preserving affordable neighborhoods. The Ombudsman’s Office recommends that our housing planners do the same.

Recognizing New Materials and New Methods: Factory-built Housing

Factory-built homes have been in America for more than 100 years. Montgomery Ward, the Hodgson Company and Aladdin Homes were all selling factory-built homes in the late 19th Century. Between 1908 and 1940, Sears sold more than 100,000 catalog homes in America and provided customers with a choice of 450 different architectural styles. Sears not only financed mortgages for their homes, but credited the work that owners did towards the mortgage down payments. Whoever said that sweat equity was a 1970's invention?

Today, faster construction time, lower costs, and a consistent standard of quality have contributed to a resurgence of the factory-built housing industry. That fact, when combined with up to 50 percent construction cost savings that can be realized, makes such homes very desirable choices when looking to provide affordable housing options. While it often takes six to twelve months to build a home using traditional construction practices, factory-built homes are typically constructed in six to eight weeks. That translates into significant cash savings that can be passed on to buyers.

Once again, the Ombudsman’s Office recommends that factory-built housing offers a very good option for building new affordable housing in Detroit. Factory-built housing accounts for approximately one-third of all new housing starts in the United States today and includes:

- **Manufactured homes** that are built entirely in the factory under a federal building code.
- **Modular homes** which are manufactured and built to the state, local or regional code where the home will be located.

- **Panelized homes** that are manufactured in finished panels that can include an entire wall with windows, doors, wiring and outside siding. They are then transported to the lot site and assembled.
- **Pre-cut homes** are factory-built housing in which building materials are pre-cut to design specifications, transported to the site and assembled. Pre-cut homes include kit, log, and dome homes. These homes must meet local, state or regional building codes.

Factory built housing can do more than just keep construction costs down in order to lower acquisition costs. As it is becoming more accepted as a construction choice for the urban agenda, the industry is also being recognized as a significant jobs provider. Factories that produce such housing and have located in urban areas have become proven job providers for local economies.

The Automated Builders Consortium (ABC) is a not-for-profit association of the factory built industry that works with local urban redevelopment authorities to develop factory housing plants. It creates jobs at the neighborhood level, while it builds homes and commercial buildings for the older urban inner ring neighborhoods. In 2002, ABC and the Manufactured Housing Institute worked with Cincinnati developers to turn an industrial brownfield site into a neighborhood of factory made homes based on classic Cincinnati architecture. The homes are a mixture of ranch style, two-story homes and cape cods, all built on crawl spaces. Built in the New Urbanist philosophy they also feature spacious front porches and detached garages with private rear-drive access. Other design elements include cement lap siding, nine-foot first floor ceilings and complete drywall throughout.

The Ombudsman's Office believes that what the manufactured housing industry accomplished in Cincinnati could be easily replicated in Detroit. Similar effort would help fill the strong need for affordable quality housing that is present.

Urban Disinvestment and Neighborhood Decline

Factory built housing as well as preservation initiatives like the Chicago Bungalow Initiative can provide an effective way to reduce costs and provide choice for meeting affordable housing needs. But they do not address the root of the affordable housing crisis in Detroit. Urban sprawl, exclusionary zoning, and the spacial mismatch of housing to jobs are all equally part of the problem. These forces of urban disinvestment continue to drive down the rate of home ownership in the central city, and have been major variables in the transformation of Detroit from a city of home owners to one of renters. For example, in 2000 the home ownership rate for the entire Metropolitan Area (which includes the city of Detroit) was 75.3 percent. However, actual figures for the city were 55 percent. In 1970 Detroit's rate was over 60 percent.

The widening gap in the ratio of home owners between the older urban areas of metropolitan Detroit and its newer suburbs is the product of a disinvestment pattern that

has shaped the face of housing opportunity throughout the region. When businesses and jobs left the central core city, low-wage earning households were unable to follow. Job opportunities located further away from their traditional labor pool in central cities, while restrictive housing policies severely limited the ability of many workers to follow.

The spacial separation of jobs and residences that evolved as a result of disinvestment imposed heavy social and economic costs on those workers denied housing access to the suburbs. It also hastened the devaluation of central city housing. Which, in turn, was further worsened by a de facto regional housing policy that forced low-income shelter to be provided mainly by devaluating central city neighborhoods. These forces created a self activated process where rising housing prices in one neighborhood could only be balanced by displacement and divestment in surrounding ones. Consequently, property values in Detroit neighborhoods stayed the same or fell for decades. **As values fell, property taxes increased to keep pace with mounting expenses, while City services suffered.** The general City tax rate, for example, rose from 23.5 mills in 1970 to 35.3 in 2000. As a result, property owners faced total tax rates in 2002 of 67.6 mills per thousand if they received a homesteaded exemption, and a staggering 85.7 mills if they did not.

Property Tax Burden – A Catalyst for Disinvestment

The Mackinac Center for Public Policy pointed out almost 10 years ago that one of the major causes of urban divestment is that the **tax and regulatory disparities which exist between the city and its suburbs have effectively eliminated any possibility for building affordable housing in Detroit.** This disinvestment is a major cause of urban sprawl. As housing investment has decreased in the central city over the last two decades, and property tax rates have risen to compensate for lost revenue, new housing starts and investment have tended to move to the urban fringe and beyond where taxes are considerably lower.

The burden placed on Detroit property owners because of divestment and sprawl is very heavy. The property tax inequity imposed on homeowners in Detroit that is nearly seven times the average for other Michigan communities is one of the strongest reasons that the future of affordable housing is so dismal in Detroit. While we discussed the need for property tax reform to eliminate this inequity in the Economic Development section of this year's Budget Analysis, the point needs to also be made here that such reform would have a strong affect on greatly reducing the loss of existing affordable housing units in Detroit each year.

Reducing Property Taxes – Dealing with Proposal A's Aftermath

The National Association of Realtors (NAR) reports **that next to down payment and closing costs (74 percent), property taxes (73 percent) , pose the next biggest affordability concern for American home buyers.**

The accelerated loss of affordable housing has been one of the unanticipated consequences of Proposal A. Whenever low-wage earner households are able to purchase “move-up” or pre-owned housing, they usually face significantly higher tax bills when the assessment cap is released and rises to the actual State Equalized Value (SEV). This increase can be quite large if the home has not been sold since 1994 when Proposal A took effect.

Home buyers are financially penalized in Detroit whenever they purchase housing within city boundaries. As unfair as that may be, so too is the plight of those sellers who have lived in the same home for years and decide to sell. These persons have traditionally supplied the real estate market in Detroit with affordable housing options. However, the combination of high tax rates coupled with the uncapping of property taxes when real estate changes hands in Detroit seriously discourages new buyer investment in older properties. **Low-wage earning households who are faced with the challenge of finding housing that is within their financial reach are forced to look beyond the borders of Detroit.**

The Ombudsman’s Office believes that giving a property tax break to low-wage earning householders who purchase affordable housing is definitely needed. It will:

- Allow household incomes to remain in the City that otherwise would be forced to move to lower tax locations.
- Would provide home owners an expanded pool of buyers willing to purchase older (fixer-up) housing units in the City. Vacancy rates could be reduced and a host of other problems attendant to affordable housing such as absentee landlords and housing brokers, who buy for cash (often advertising on neighborhood utility poles) from desperate sellers, who just want to be rid of tax liabilities.

Reduction or elimination of the harsh property tax rate imposed on Detroit homeowners is the first recommendation of this Office. Rate reduction would soften the shock of uncapping that home buyers now face. Determining how much the rate should be decreased is a political decision that, up to now, has not been made. However, there are other ways that the economic consequences that result from uncapping the tax can be mitigated.

Tax exemptions are utilized by some communities to provide affordable housing options. Some are blanket exemptions for fixed dollar amounts that apply to all property while others are more selective, and are granted on a sliding scale that is based on income criteria.

Sarasota, Florida, for example, cuts a blanket amount of \$25,000 off of the State Equalized Value of property before taxes are determined. In Detroit, such a move could net property owners about \$900 off the taxes of a \$80,000 house. Thereby, reducing monthly housing expense by about \$75.00 per month.

Provincetown, Maine recently began a rental property tax exemption program that **qualifies tax exemption eligibility on the basis of householder income**. Properties qualify annually, with exemptions granted by the Board of Assessors on a year-to-year basis. Income information is coordinated by the Town's Affordable Housing Specialist as an agent for the Board of Assessors. This eliminates the requirement for a deed restriction. While this program is used to provide affordable rental units, there is no reason why it could not apply to low-income home owners as well.

Non-tax Strategies for Affordable Housing: Inclusionary Zoning

Last year the Ombudsman's Office recommended a zoning tool of proven value that should be utilized for ensuring the construction of affordable housing. **Inclusionary zoning has proven an effective means of tying development approval for construction to the provision of low-income housing**. This land-use regulation increases the opportunity for low-income homeowners to live in mainstream neighborhoods by linking the construction of affordable housing in the community to the building of private market-rate units. Sacramento, California has used its ordinance to ensure that 15 percent of new construction in growth areas are rented or sold to low and very low-income residents. Other incentives offered to developers who participate often include:

- The expediting of building permit services.
- Density bonuses that allow builders to construct more units on project sites.
- The waiver of certain permit fees.
- Modification of planning and utility standards for projects to reduce development costs.
- Preferences in obtaining local public funding that can be used by developers to leverage tax credits, mortgage financing, etc.

Linkage Programs

Less controversial than Inclusionary Zoning requirements, **Linkage Programs require a developer to either contribute equity funds to low-income housing construction in the area or pay a fee into a designated housing trust fund**. Some critics have likened this approach to that of the Department of Natural Resources (DNR) practice of letting developers "swap" wetland areas. But proponents argue that with linkage programs, the benefits are far more equitable. Unlike Inclusionary Zoning Ordinances, they ensure that all manner of construction and economic development projects contribute to the common goal of establishing affordable housing.

Multi-Family Zoning

Detroit used to pride itself on being a city of homeowners. At one time, just four decades ago, it led the nation in the number of single-family residences owned by citizens. However, zoning policies that made sense then still regulate construction activity today and seriously restrains the prospect of ever having an adequate supply of affordable housing in Detroit.

Zoning laws established to limit density when Detroit was expanding need to be changed in order to allow an increase of the affordable housing supply on many lots that are currently zoned solely for single-family homes.

While zoning is generally intended to separate incompatible land uses, the use of exclusionary criteria in defining the term “incompatible” has lead to overly strict restrictions or prohibitions on housing types that are most likely to be affordable, including manufactured housing and multifamily housing.

Some cities have met this zoning challenge by creating composite zoning neighborhoods where greater household density and waivers on parking space requirements are allowed. Linkage to mass-transit nodes at these locations is seen as one of the ways to “make them work.” This is a hallmark of the New Urbanist movement.

Accessory Dwelling Units

Accessory Dwelling Units (ADUs), also known as shared housing, can be the familiar “mother-in-law” apartments, building extensions, carriage style apartments or even separate buildings that increase density in neighborhoods without affecting the overall elements of design. As an additional source of income for the owner, they are an especially valued way to get two affordable housing units for the price of one. ADUs have already been well utilized for other than meeting low-income housing needs. Shared units are common in tourist locations such as Florida; where even the owners of million dollar homes set aside portions of their houses, complete with separate entrances, cooking and bathing facilities, for rental to the flocks of snow birds who migrate there annually.

High Density Cluster Zoning

Another zoning approach to affordable housing encourages the building of high density units in cluster patterns on parcels of land. Often this type of housing will front on pedestrian corridors that further reduce household expenses by increasing the option of walking, biking, or using public transit. The clustering of adjoining lower density homes can be a viable and affordable option for starter and senior citizen households. Making these living arrangements even more affordable is the fact that they qualify for location efficient mortgages in states that have them.

Another zoning change that the Ombudsman’s Office believes could be very helpful is that of changing the zoning review process to expedite the construction of affordable housing. Adoption of a policy whereby renovation and new construction building permits may be

granted for specific models of multi-family dwellings that can be awarded “by right” rather than on a time consuming case-by-case basis would be an effective way to accomplish this goal.

Regulatory Changes to Support Affordable Housing

Changing administrative regulations that apply to housing construction is another area that can lower development costs for affordable housing in Detroit.

Over the years, administrative regulations have lengthened the amount of time and effort required to obtain approval for housing development projects. Lengthy and open-ended permit approval procedures may add months or years to the time it takes to approve a typical subdivision. This delay is especially critical for builders of affordable housing where time delays will translate into additional capital being spent by the developer to cover the higher interest costs of carrying the undeveloped land. Any higher costs are invariably passed on to home buyers, pushing otherwise affordable homes out of the reach of many low- and single-income families.

A recent study by the National Association of Home Builders found, that in the Mid-West, housing construction costs attributable to regulatory barriers rose more than five and one-half times over a 20 year period. In Cincinnati, Ohio, the cost jumped from \$3,000 in 1974 to over \$16,000 in 1994. Pittsburgh, Pennsylvania, did even worse, rising to \$33,000 from \$5,500.

One regulatory change that the Ombudsman’s Office has steadily recommended be adopted is that the right of “first refusal” be included in all affordable housing initiatives that seek municipal support. New York, Chicago, and other large cities have employed first refusal ordinances to help low-income citizens retain affordable housing in the face of gentrification. In Chicago, for example, apartment residents have been able to use the “right of first refusal” to purchase buildings and turn them into equity cooperatives.

Equity cooperatives, often formed when renters are allowed to exercise the right of first refusal, would provide a helpful opportunity to preserve Detroit affordable housing.

Equity cooperatives are formed when people come together, pool their resources to buy and renovate a building or a set of houses. In addition, they share responsibility for upkeep, improvements, and the administration of the cooperative. It is a proven tool for prospective homeowners that helps alleviate their housing affordability difficulty while empowering them to obtain safe, affordable housing. One reason they have not been used much in Detroit is that there were not enough for profit equity cooperatives – like in New York and Chicago – to attract the interest of mortgage lenders. Within the past few years though, equity lenders have entered the Detroit market. There are at least three major private equity mortgage companies active in the Detroit market that finance cooperative housing. As a

result, **many low-wage earner households would be able to acquire housing and build property equity if Detroit were to insist on including first refusal in all rental property development projects.**

Land Bank Authority

Currently, equity cooperatives in Detroit are either run by non-profit corporations or individual Board of Directors elected by their shareholders and incorporated under HUD guidelines. However, a Land Bank Authority would also be able to include that role as one of its services. Thereby adding another opportunity for housing cooperatives to grow as well as providing another income source for land bank operations through the collecting of management fees.

Michigan Public Act 258 of 2003, known as the “Land Bank Fast Track Act” allowed for creation of a Detroit Land Bank Authority. Land Banks have a great deal of power to quickly assemble land, clear titles, provide tax exemptions, and in general promote economic growth for cities. Land banks are usually concerned with short term land holdings. They act as a conduit for purchase or lease purchase arrangements of affordable housing. However, they also can be an effective vehicle for enforcing compliance with affordable housing obligations in absence of established Inclusionary Zoning legislation.

The details of a Detroit Land Bank Authority authorized by Public Act 258 are still not finalized. (The Act was effective 01/05/2004.) Political issues that still have to be addressed include the size of the initial governing body as well as the qualifications, method of selection, and office lengths of the first board members.

A Detroit Land Bank Authority needs to move forward soon. Many properties in Detroit that could provide suitable affordable housing have been impossible or too risky to save because potential developers have not been able to obtain the documented title clearance necessary to protect their proposed investment. **There is a pressing need for a central entity that can obtain land and facilitate the clearing of title problems.** In a good economy these delays would not matter, but in today’s fiscal crisis there is a pressing need to develop housing parcels in order to increase municipal revenue. The absence of an operating land bank imposes unnecessary delay on affordable housing projects. That delay translates into increased costs per unit and, ultimately, less affordable housing.

Financing a Detroit Affordable Housing Trust Fund

There are a number of tools that can be used to establish a dedicated funding stream for an Affordable Housing Trust Fund in Detroit. The attractiveness of affordable housing trust funds is that they furnish a dedicated source of uninterrupted revenue to provide funding for a variety of housing activities. Dedicated funds can come from bonds, taxes, fees or a number of other income sources. This revenue is held separately and cannot be used for purposes other than what were set forth when the fund was established. Existing state

housing trust funds use at least 16 different revenue sources that provide each of them anywhere from \$300,000 to \$122 million per year.

The use of federal Housing and Urban Development (HUD) Home Investments Partnership (HOME) financing for a Detroit affordable housing fund has pretty much been ruled out since the money has already been spoken for. **Consequently, other revenue sources need to be considered. These include dedicating portions of real estate transfer taxes, document recording fees, gaming revenues, and even dedicating unclaimed utility deposit fees for that purpose.**

The Ohio Housing Trust Fund, for example, initially received \$2.5 million in unclaimed funds from the Ohio Department of Commerce to get started. **A \$.50 increase in the real estate transfer tax per \$1,000 on the price of real property generates about \$25 million per year in the state of Illinois.** Either one of these two examples could provide a model on how to provide revenue for a local trust fund. For example, a \$.50 increase per \$1,000 value of real property value would generate \$500 per \$1 million. This could conservatively bring in \$200,000 or more in financing for a trust fund every year.

Another financing option that might be worth exploring is that of **dedicating all, or part, of a local or regional sales tax increase to financing a trust fund.** Critics of such an approach cite the fact that increased sales taxes are usually seen as unfairly increasing the tax burden on the poor – in this case the very ones who an affordable housing trust fund would be trying to help. However, some states have managed to remove that burden from households by linking sales tax increases to refundable earned income tax credits (EITC) to low-income families.

Generally, voters are not willing to increase state sales taxes. Also, a regional sales tax is not advisable because consumers can save considerably by purchasing big ticket items in nearby counties, thereby hurting regional businesses. However, given the massive cutbacks in services that are being felt statewide, a sales tax increase that would also benefit every section of the state, just might be easier to sell.

Detroit's share of a one percent sales tax increase could be somewhere in the neighborhood of \$72 to \$80 million or more per year.

While a regional sales tax increase is not the first choice for funding an affordable housing fund, special circumstances could warrant its use. For example, **if the expansion plan for Cobo Convention Center were to seek a regional sales tax increase for funding, then it might be wiser to “piggyback” on that proposed 30 year regional sales tax increase. Voters might be more inclined to fund convention center improvements if they feel that they will also be providing affordable housing in the region.**

Other financing for a dedicated revenue fund that could be considered to finance an affordable housing trust fund in Detroit include the setting aside portions of real estate

transfer taxes, document recording fees, gaming revenues, and even dedicating unclaimed utility deposit fees for that purpose.

Keeping it Affordable

No matter how much housing can be produced by a housing trust fund, **if there was no mechanism in place for ensuring that the housing will remain affordable, it would be a waste of public money to establish the fund. It would make no sense to create a stock of affordable housing only to see it gentrified out after a limited period of time.** That would only repeat the problem that is occurring now as expiring HUD mortgages are pushing low-wage earners out of affordable housing. The Ombudsman believes that there are two mechanisms that Detroit could use to prevent that from happening. They are: land trusts and second mortgages.

Land Trusts

Land trusts are nonprofit organizations or public entities that own land and acquire and sell housing, holding the land titles in trust with other land for an indefinite period of time. The land trust rehabilitates the property on the land or builds new, and then sells the buildings (homes) to families meeting established criteria. **Although the land trust sells the structure that has been constructed or rehabilitated, it leases the underlying land to the homeowners through a long-term (usually 99 year) renewable lease, which gives residents and their descendants the right to use the land for as long as they wish to live there. In exchange for these benefits, when and if the family decides to sell the home, they must sell it as a community land trust house (at an affordable price to a qualifying family).**

Land trusts sustain the affordability of housing by permanently limiting land costs and “locking in” subsidies so that they benefit one homeowner after another, and do not need to be repeated each time the home is sold. The drawback, if it can be called that, with land trusts is that they generally limit the property owner to only 25 percent of any equity increase when the property is sold. The positive side of such an arrangement though, is that the property owners, while limited to only 25 percent equity appreciation, need only pay 25 percent of the property taxes due each year.

Second Mortgages

Second mortgages are another proven way of making ownership affordable over the long term. Basically how they work is:

An agency, such as a development agency or a land trust, provides funding for a second mortgage on a home. This mortgage is typically structured as a deferred loan, so the homeowner makes payments on the first mortgage

only. Repayment of the second mortgage is due when the homeowner sells the house or at the end of the loan period, whichever comes first.

Second mortgages offer several advantages for providing affordable home ownership. **First, they are relatively simple to administer** especially through a municipal land bank or established non-profit that has had experience with the concept. **Second, they allow funding to be recycled** into affordable housing through reinvestment. **Finally, because second mortgages make homes affordable by assisting people, not structures, it is possible to move people into housing without having to wait** for the production of additional housing stock.



SECTION III:

TOP TEN CITIZEN COMPLAINTS: Discussion and Comparison

CHARTS AND GRAPHS



**OFFICE OF THE OMBUDSMAN
TOP TEN COMPLAINTS: DISCUSSION AND COMPARISONS
JULY 2003 – MARCH 2004**

1. Inadequate Street Lighting:

The complaints regarding street lighting repair and replacement ranks number one on the Top Ten list of citizen complaints in the past nine months, moving upward on the list from number three in the same period last year. Inadequate street lighting represents 25% of the total number of Top Ten complaints.

Based on this year's number one ranking, the Detroit citizens have underscored the seriousness of the problems associated with dark city streets. Some of the representative complaints regarding fears arising from the absence of street lighting include: seniors walking in the neighborhoods, children walking daily to and from school, home invasions, automobile thefts, and assaults.

In April 2004, the City of Detroit Public Lighting Department (PLD) contracted with Genesis Energy Solutions LLC to repair approximately 5,000 inoperable streetlights over the next seven months.

We are hopeful that this repair effort will significantly reduce the problems and risks associated with inadequate street lighting. In addition, we encourage the PLD to continue to explore other methods to resolve this number one problem.

2. Streets, Sidewalks, and Alleys:

The complaints regarding streets, sidewalks, and alley repairs increased sharply, moving from number six ranking in last year's Ombudsman's Budget Analysis Report to number two in this year's Top Ten list of citizen complaints.

While there have been efforts to increase paving of City streets, there still remains a considerable amount of streets which require pavement and/or repair.

Under the Tree Guarantee Program and Americans with Disabilities Act, many improvements have been made to the sidewalks and curbs throughout the City, but others remain in poor condition, creating additional potential for injuries and claims against the City.

Lack of proper maintenance of alleys, particularly commercial alleys, continues to be a problem as well.

It should be noted that this year the Office of the Ombudsman has combined the previously separated two complaint categories, streets, and sidewalks/driveways/alleys, because both categories of complaints impact directly on motorists and pedestrians, and because both categories are handled by the same Department of Public Works divisions: City Engineering and Street Maintenance.

3. Blocked and Flooded Sewers and Catch Basins:

The complaints regarding blocked and flooded sewers and catch basins accelerated to the number three ranking from the number nine ranking in last year's Ombudsman's Budget Analysis Report of the Top Ten list of citizen complaints.

The problems caused by blocked and flooded sewers and catch basins continue to plague Detroit citizens who increasingly report damage to private homes, vehicles, and City streets. Flooded basements and streets may damage personal property and ultimately result in claims against the City. In addition, standing water erodes City streets and creates hazardous conditions for pedestrians and motorists.

A joint effort between citizens and the City would greatly reduce the trash and debris supply that clogs the catch basins, however the Detroit Water & Sewerage Department must prioritize this work.

4. Tree Removal:

The rank for complaints regarding dead or dangerous trees and stumps requiring removal or trimming decreased to number four ranking in this year's Top Ten list from the number two ranking in last year's Ombudsman's Budget Analysis Report.

Effective July 2003, the responsibility for removal of City trees located on the berm area between the sidewalk and the street as well as the maintenance of boulevards, greenways, and beltways, was transferred from the Recreation Department Forestry Division to the Department of Public Works.

A major challenge for citizens is the long delays (sometimes up to three years) for a dead tree or hazardous stump to be removed. These trees often uproot the sidewalk and damage private residences and automobiles parked on the street.

Falling and low hanging tree branches desperately require routine trimming and maintenance in order to prevent hazardous conditions for pedestrian travel and visibility issues for motorists.

The above conditions further contribute to the number of property damage claims and lawsuits against the City of Detroit.

5. Debris:

The issues of debris and illegal dumping remain a problem; however it has decreased slightly to number five in this year's Top Ten list of citizen complaints from number four ranking last year.

The Mayor's proposed budget includes layoffs of approximately 54 employees in the refuse collection area, which may impact the already deficient services being provided to Detroit citizens in debris pickup and enforcement.

For additional comment, see "Progress Report/Environmental Enforcement."

6. Property Tax Refunds and Billing Delays:

Complaints concerning property tax refunds, untimely postings, and bills not received are a newcomer on this year's Top Ten list of citizen complaints.

Increasingly, the Office of the Ombudsman receives complaints indicating four to six month delays in property tax refunds. In addition, this Office received an increase in complaints that bills are not being sent to the taxpayer in a timely manner.

Untimely posting of payments by the City of Detroit coupled with the demand of new companies for tax verification and/or payment has led to an increase of problems in this area. Greater awareness needs to be provided to citizens and mortgage companies to reduce incidences of overpayments. Further, the Property Tax office must work more efficiently in timely posting payments and in returning or crediting overpaid property tax funds.

For additional comment, see "Progress Report/Property Taxes."

7. Dangerous Buildings:

Dangerous building complaints remained fairly constant from last year at number seven on this year's Top Ten list of citizen complaints. Its persistence and severity is indicated by a rank of number two in the Top 15 list of citizen complaints for the past ten years

These vacant, open, and dangerous structures contribute to blight in the neighborhoods and are a threat to the public health and the safety of area residents. They create havens for illegal activity, and often are used by squatters. In addition, curious children are frequently induced to explore these unsafe structures.

The Mayor's proposed budget includes \$10.5 million for demolition.

8. Water Systems:

"Water System" refers to property damage following water main repairs. Water System complaints remain constant in the number eight ranking this year in this year's Top Ten list of citizen complaints in the last nine months.

Following water main break repairs, citizens report extreme delays (2-3 years) in the repair of sidewalks, curbs, driveway and lawns. The hazards created for pedestrians and motorists continue, accompanied by the unsightly appearance of the area which property owners are forced to tolerate, or repair themselves at their own expense. With no significant improvement in this complaint area, it appears the Detroit Water & Sewerage Department has been unsuccessful in identifying a remedy for these persistent problems.

9. Abandoned Vehicles:

Abandoned and inoperable vehicles parked on public and private property dramatically decreased its ranking in the Top Ten from number one last year to number nine on this year's list of citizen complaints.

However, due to legal restrictions, the police no longer have the authority to remove abandoned vehicles from private property without going to court, which helps account for the number of abandoned vehicles that remain.

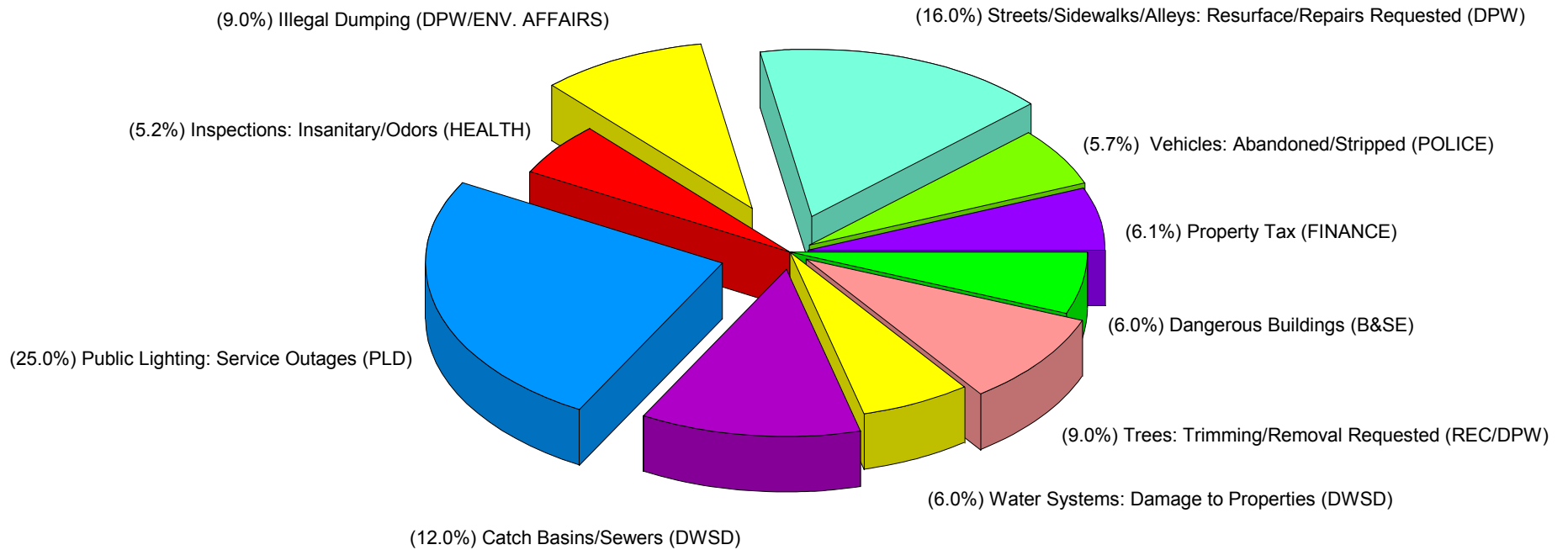
While abandoned vehicles earned a place on this year's Top Ten list, the Police Department is to be commended on this apparent reduction in complaints.

10. Health Inspections – Insanitary Public and Private Property:

Another newcomer to this year's Top Ten list, requests for Health Department inspections related to insanitary conditions and offensive odors emitting from public and private properties completes this year's list.

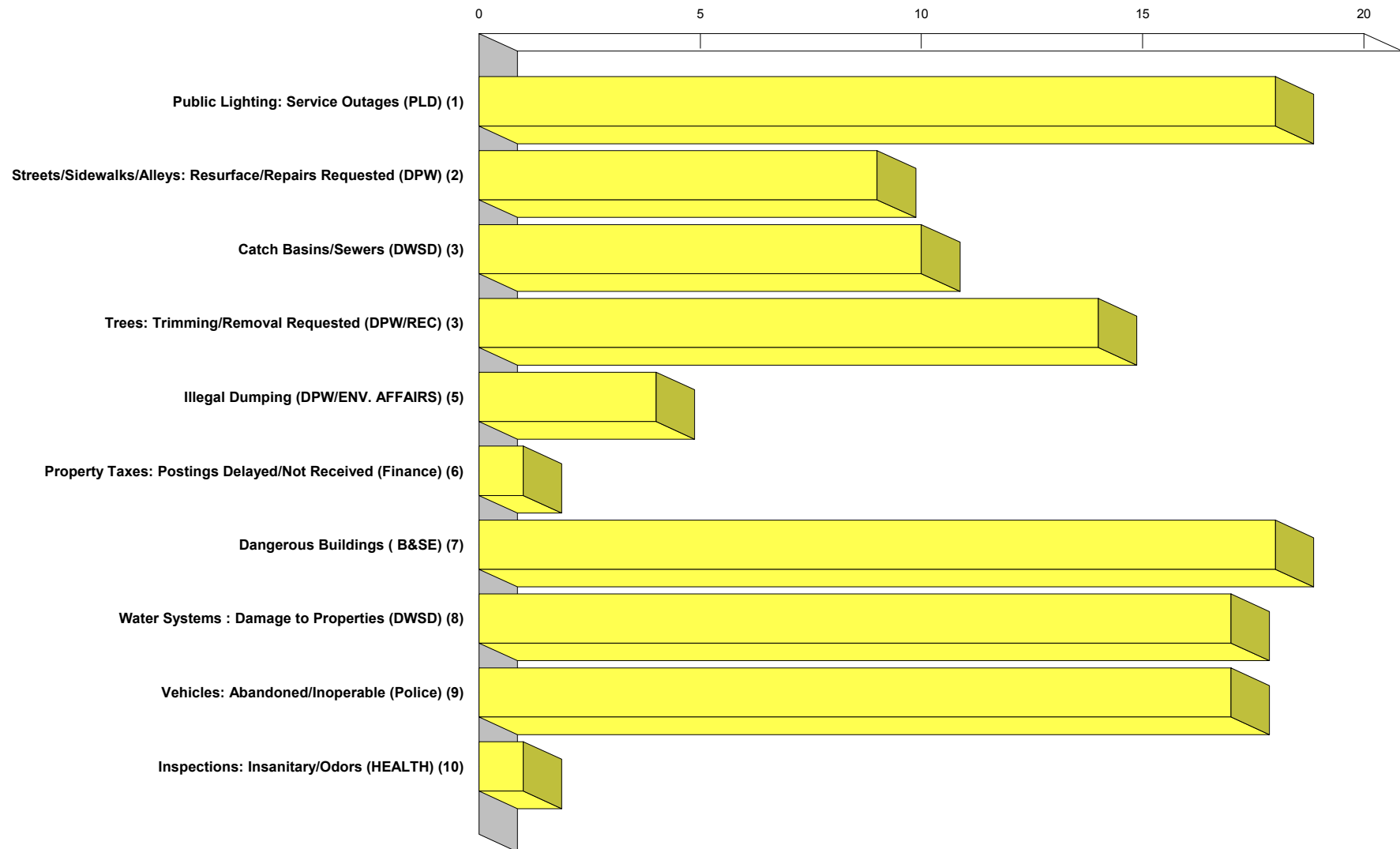
The Office of the Ombudsman received an increase of these complaints that suggest new businesses are not following proper setup procedures required to successfully establish their businesses. In addition, this office has also received an increase in residential complaints, often relating to rental properties.

Ombudsman Office Complaints Top Ten 7/1/03 - 3/31/04 (Year-To-Date)



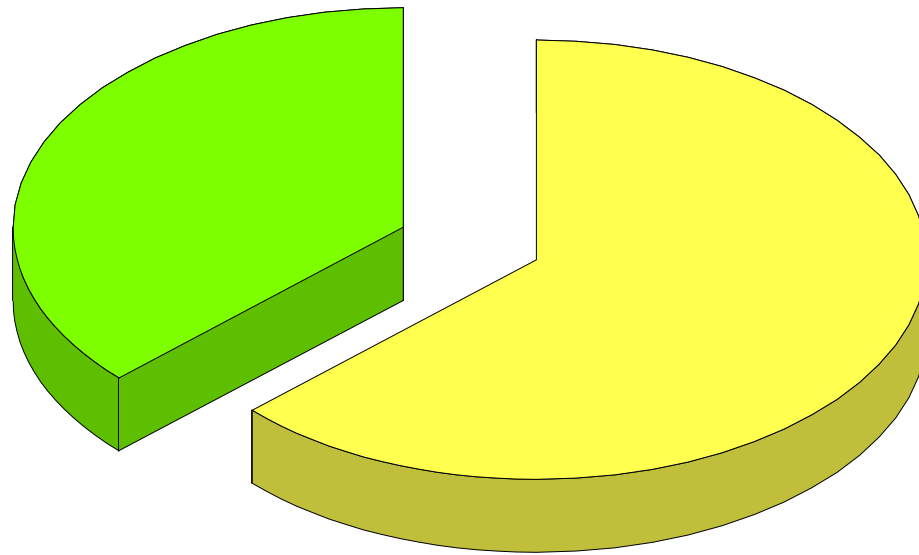
Complaint Subjects Number of Years in Top Ten

FY 2003-2004
July 2003- March 2004



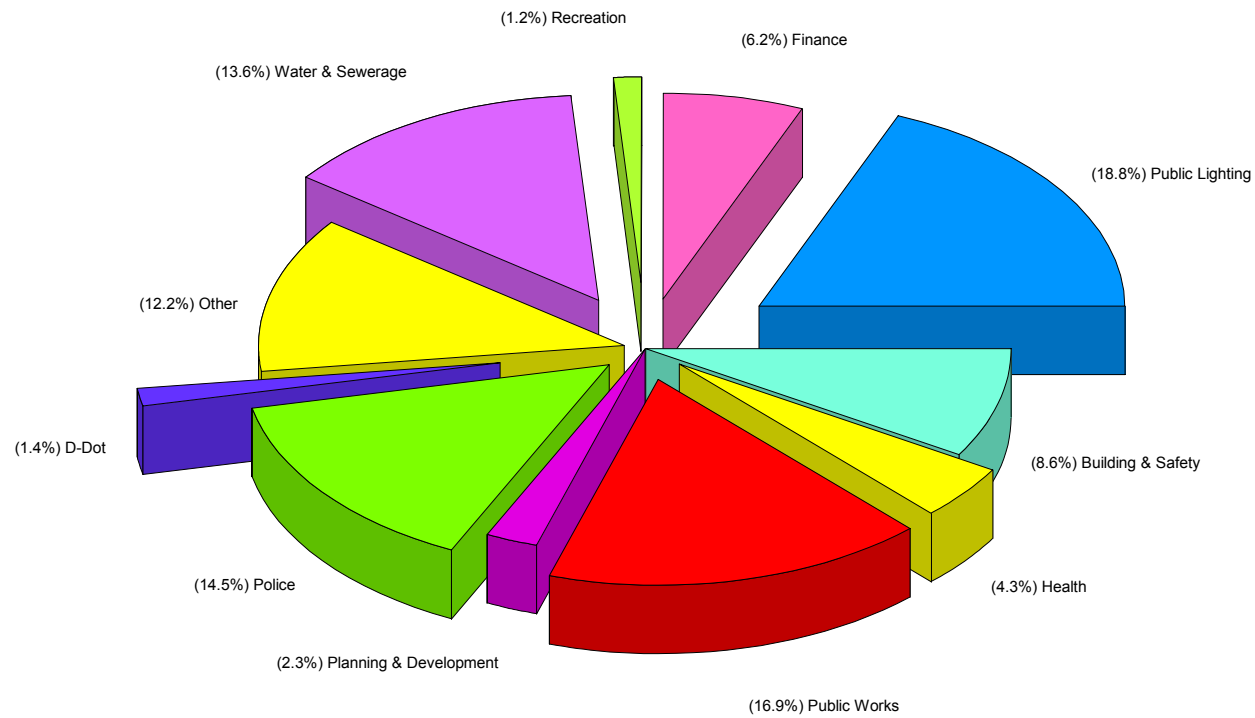
Ombudsman Office/Total Complaints

Received 7/1/03 - 3/31/04 (Year to Date)



■ Top Ten Complaints (63%) ■ Other Complaints (37%)

Complaints Received by All Departments
July, 2003 - March, 2004



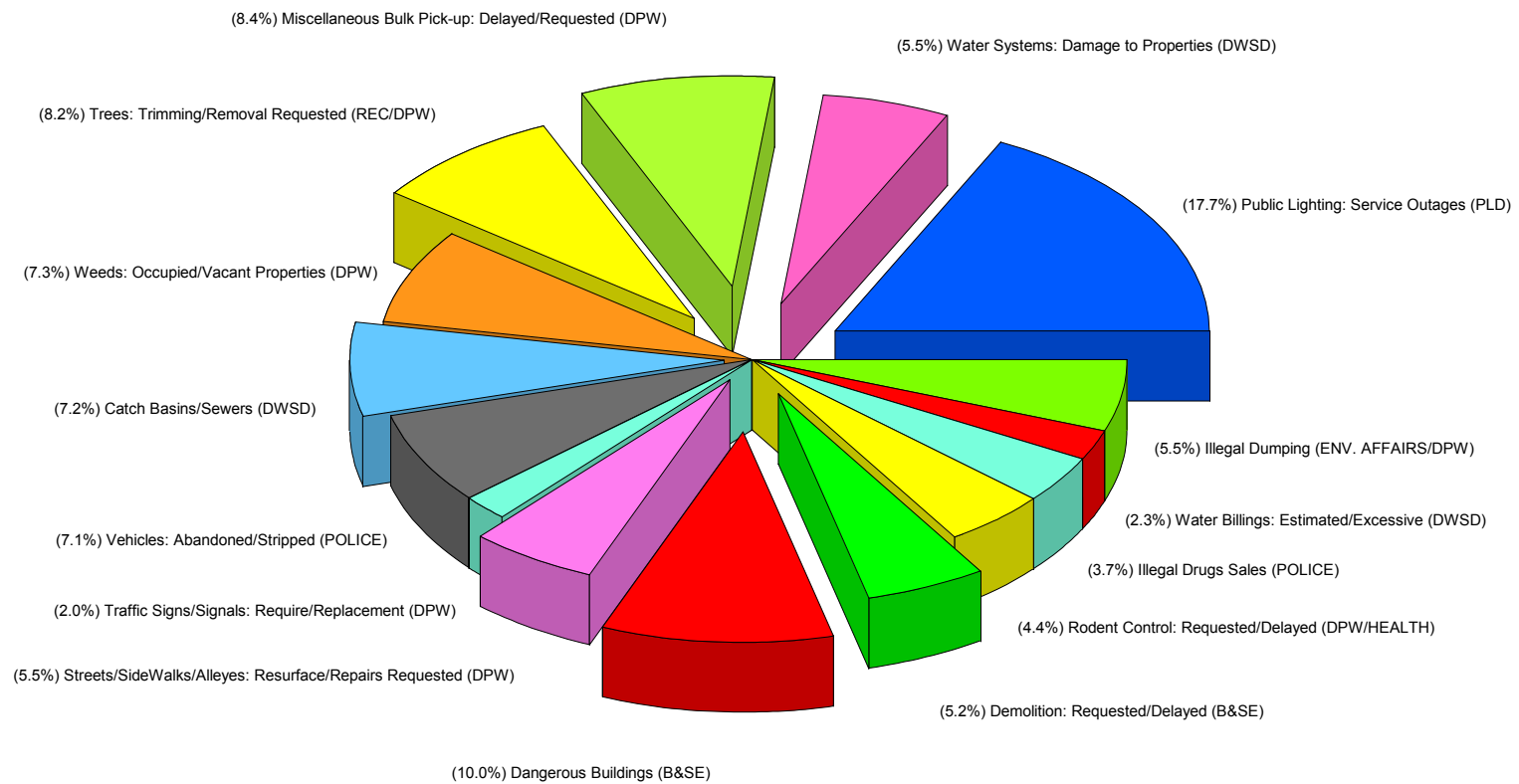
**OFFICE OF THE OMBUDSMAN
TEN YEAR – TOP FIFTEEN COMPLAINTS
JULY 1993 – MARCH 2004**

<u>RANK</u>	<u>COMPLAINT DESCRIPTION</u>	<u>DEPARTMENT</u>
1.	ALLEY/STREET LIGHTING: Inoperable/Repairs/Replacement Requested	PLD
2.	DANGEROUS BUILDINGS: Open to Trespass/Dilapidated/ Code Violations	B&SE/ P&DD
3.	BULK PICK-UP: Delayed/ Requested	DPW
4.	TREES: Removal Requested Dangerous/Untimely	DPW
5.	WEEDS: Require Cutting/Vacant/ Occupied Property	DPW-EEB
6.	CATCH BASINS/SEWERS: Blocked/Flooding/Sinking	WATER
7.	VEHICLES: Abandoned/ Inoperable/Illegally Parked	POLICE
8.	DEBRIS: Illegally Dumped/ Requires Removal	DPW-EEB
9.	STREETS/ALLEY/SIDEWALKS Resurface/Repair/Requested	DPW-SM
10.	WATER SYSTEMS: Sod/Side- Walk/Driveway/Curb: Repair/ Replacement/Untimely	WATER

Top Fifteen Complaints (Cont.)
Page Two

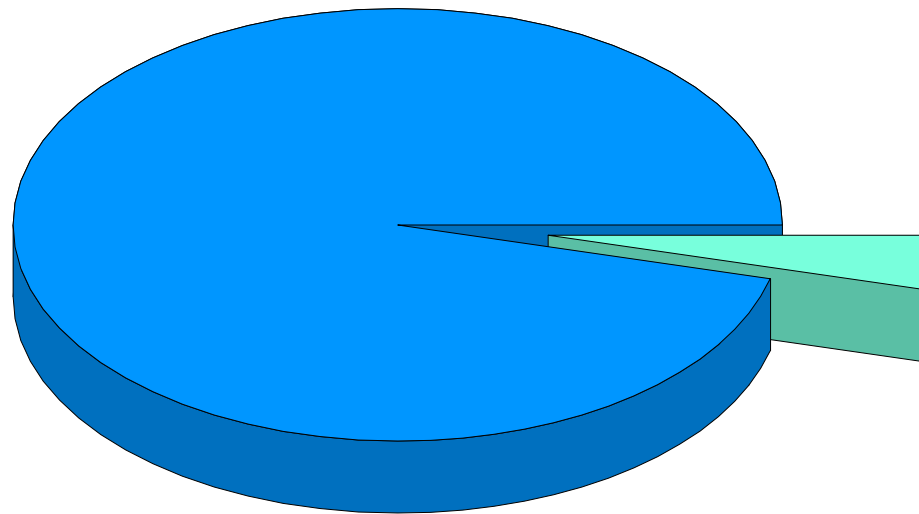
<u>RANK</u>	<u>COMPLAINT DESCRIPTION</u>	<u>DEPARTMENT</u>
11.	DEMOLITIONS: Requested/ Delayed	B&SE
12.	RODENT CONTROL Requested/Delayed	HEALTH
13.	NARCOTICS: Illegally Sold/ Investigation Required	POLICE
14.	BILLINGS: Estimated/Excessive Investigation Required	WATER
15.	TRAFFIC SIGNAL/SIGNS: Inoperable Request Replacement	DPW-TE

Ombudsman Office Complaints Top Fifteen July 1993 - March 2004



Complaints Received by the Ten Major Departments

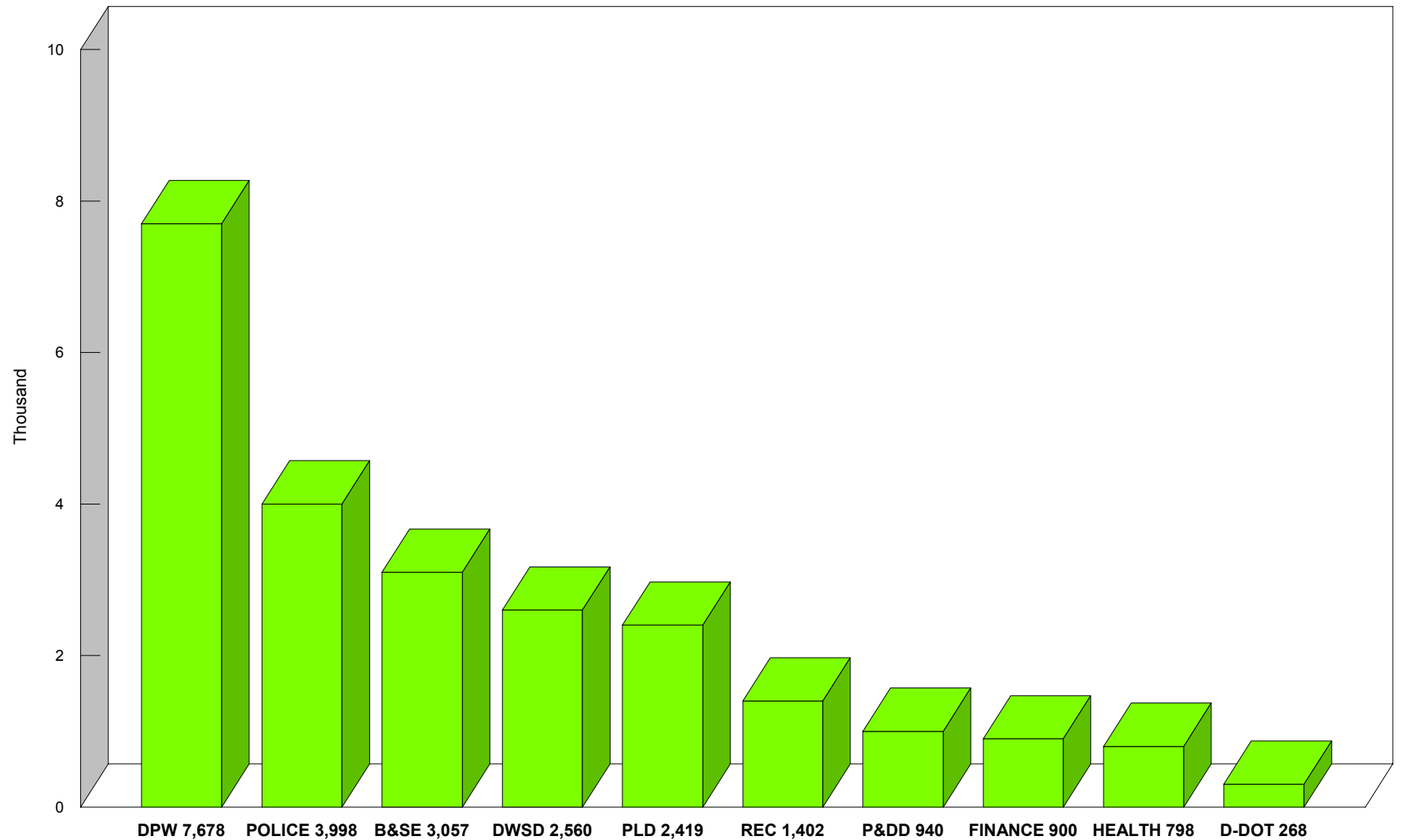
July 1992 - June 2003



■ Ten Major Departments (96%) ■ Other Departments (4%)

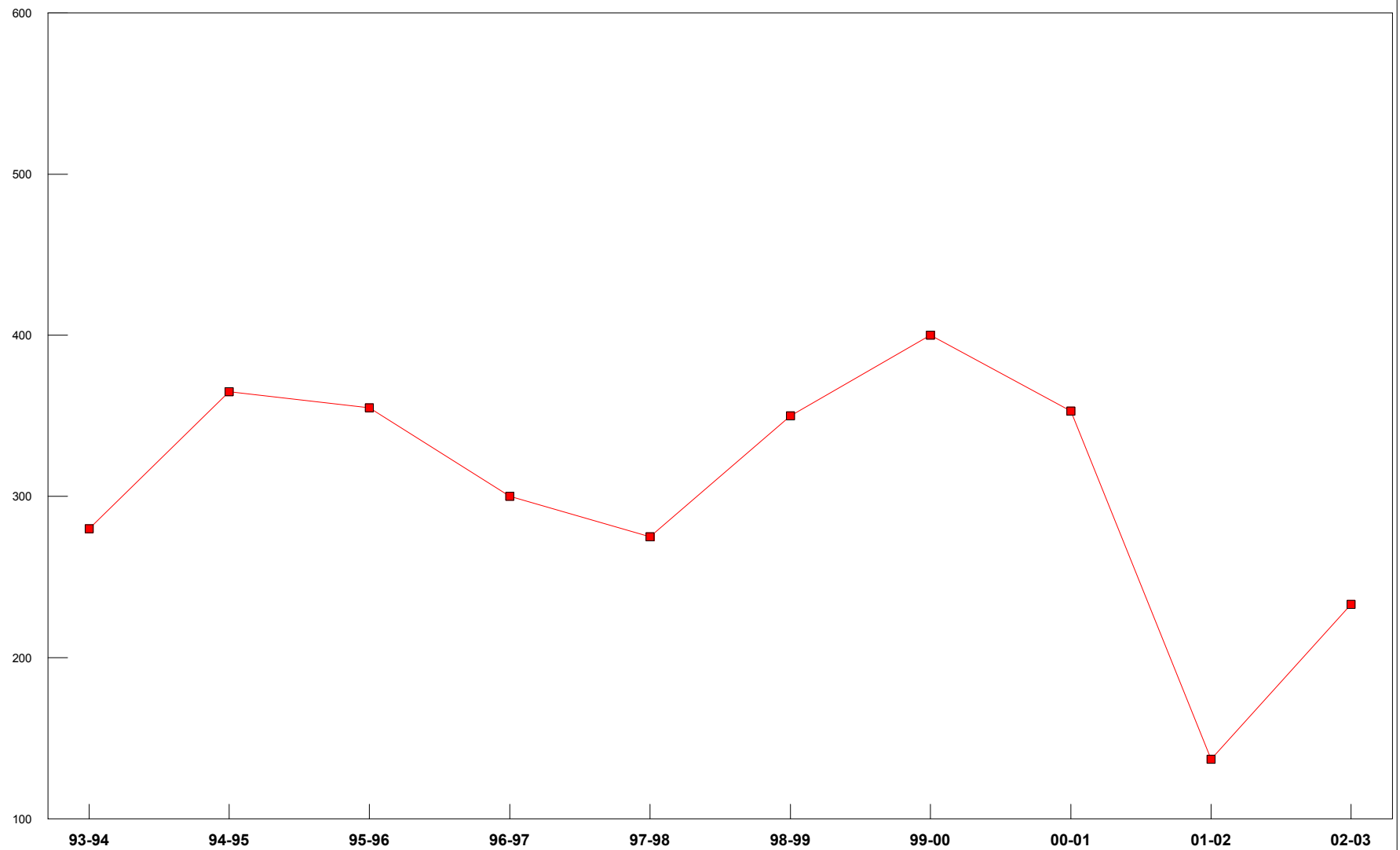
Ten Years, Ten Major Departments By Receipt of Complaints

July 1, 1993 - June 30, 2003



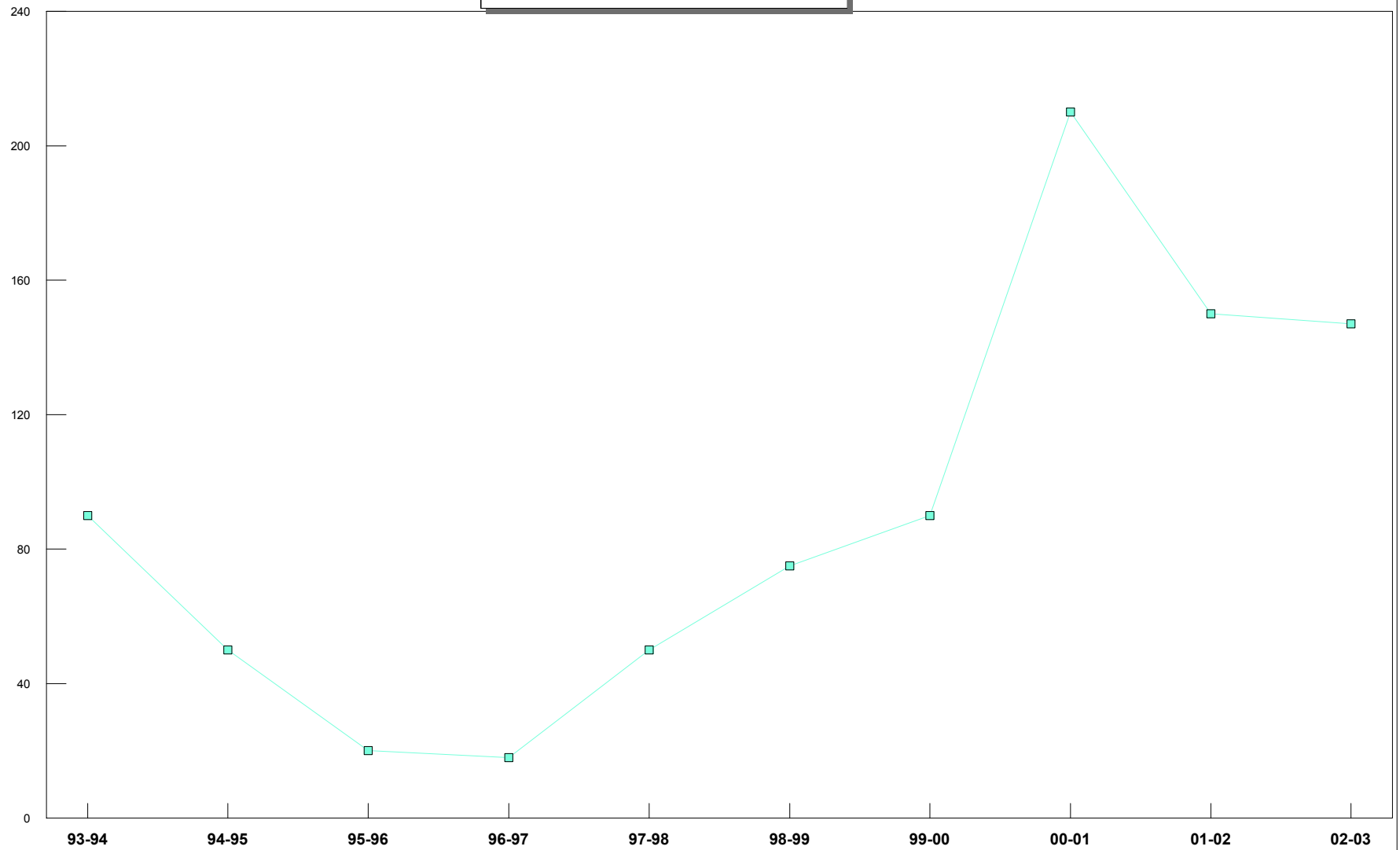
Complaints Received By Year For Building & Safety Engineering Department

July 1993 - June 2003



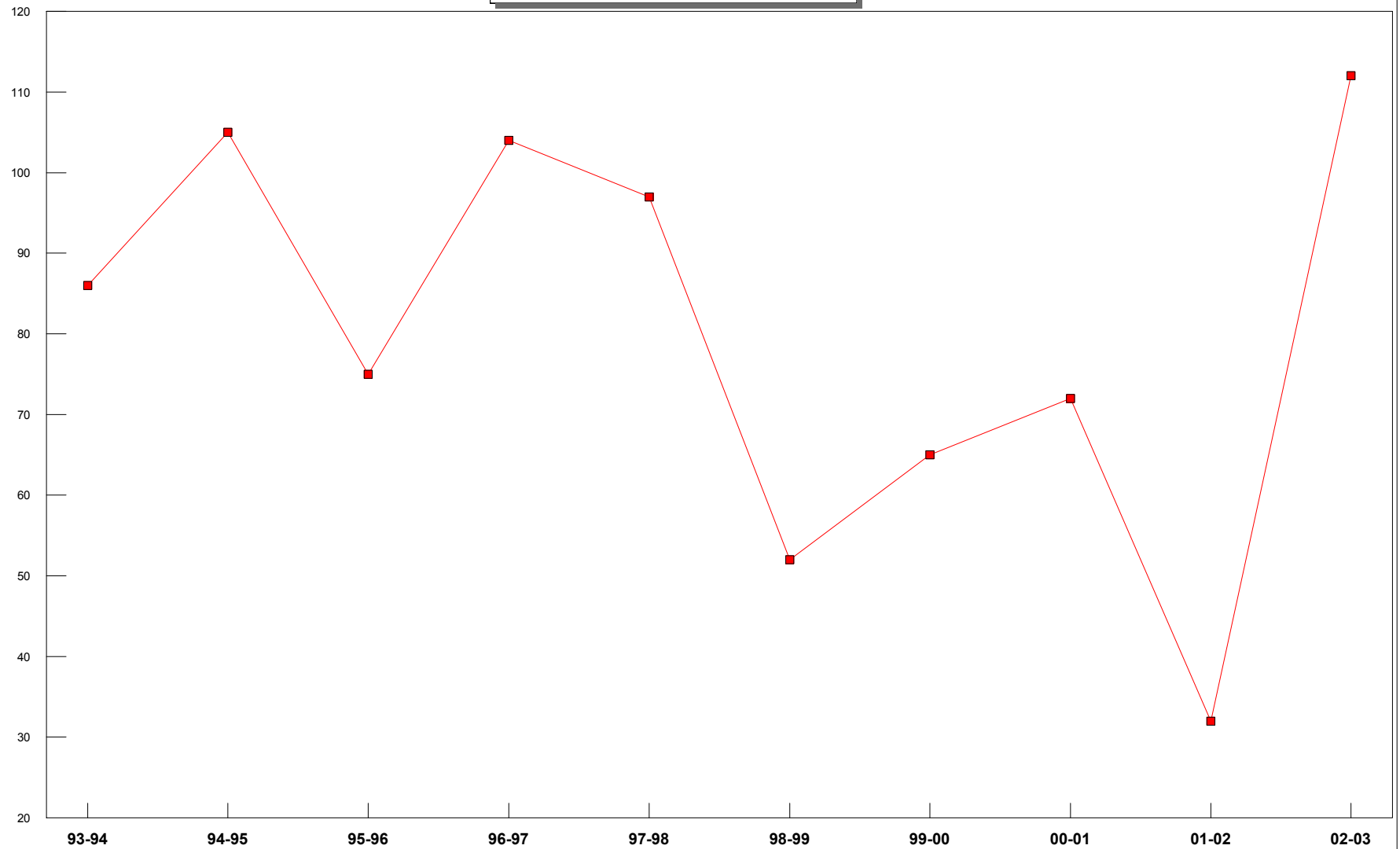
Complaints Received By Year For Finance Department

July 1993 - June 2003



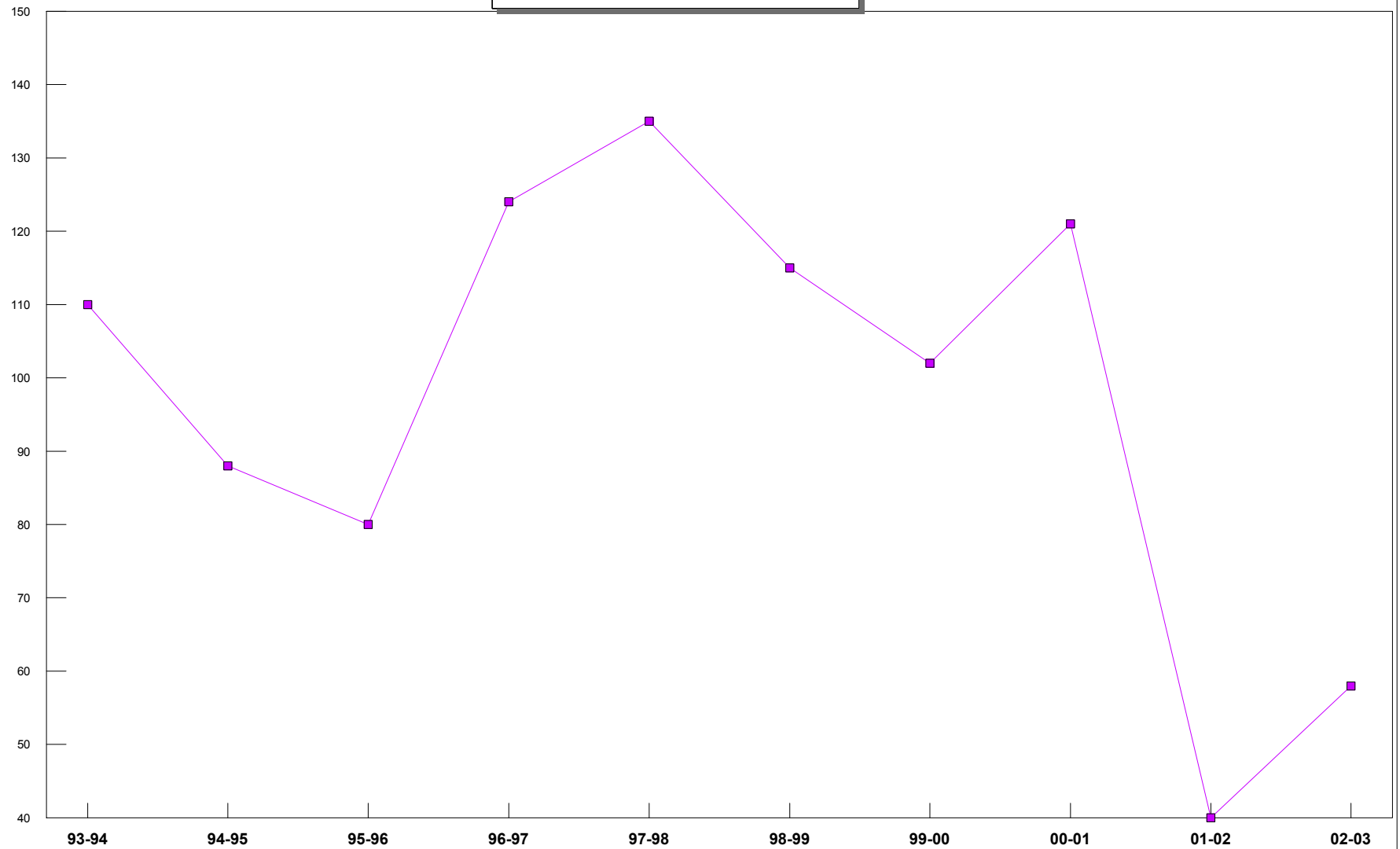
Complaints Received By Year For Health Department

July 1993 - June 2003



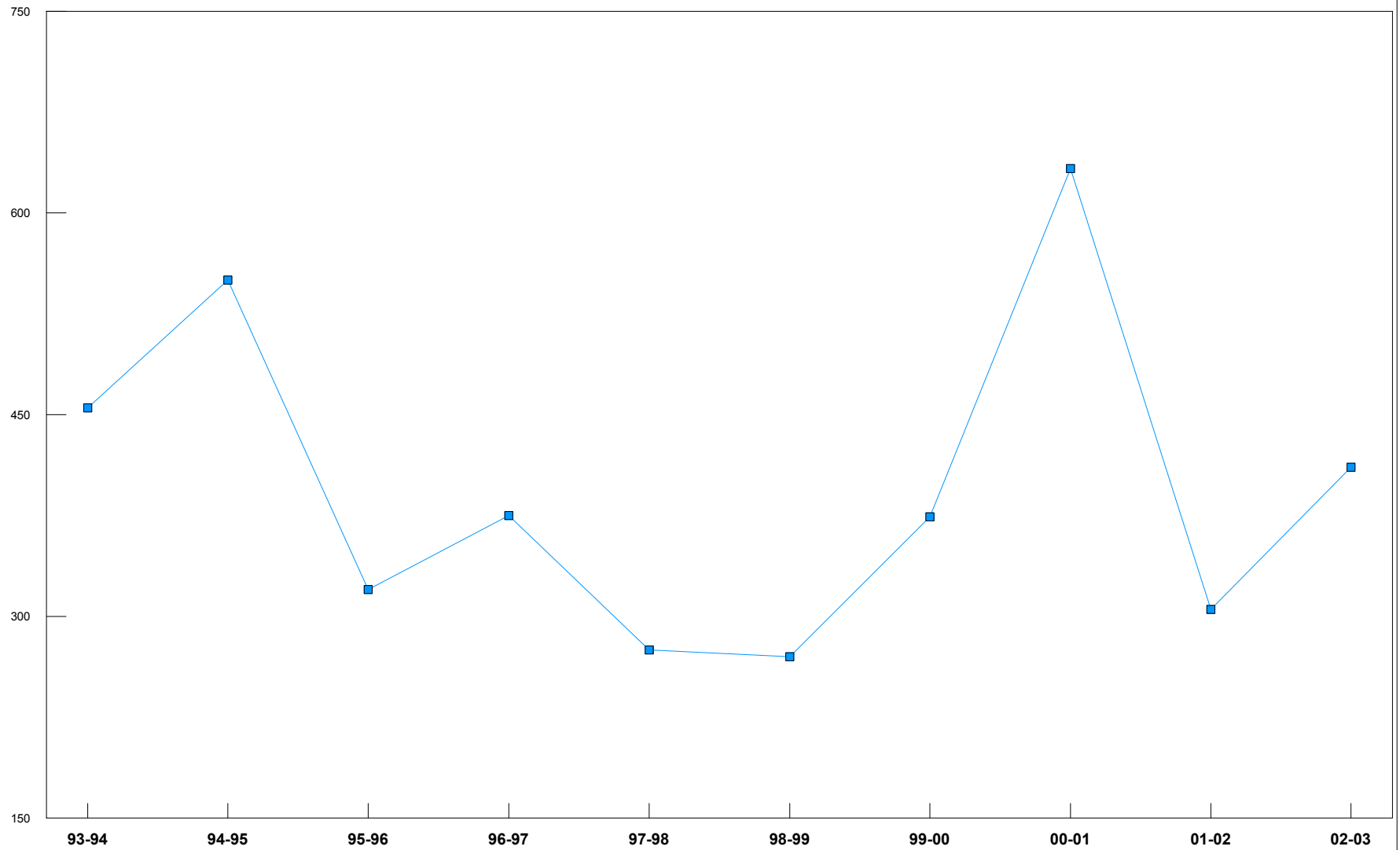
Complaints Received By Year For Planning & Development Department

July 1993 - June 2003



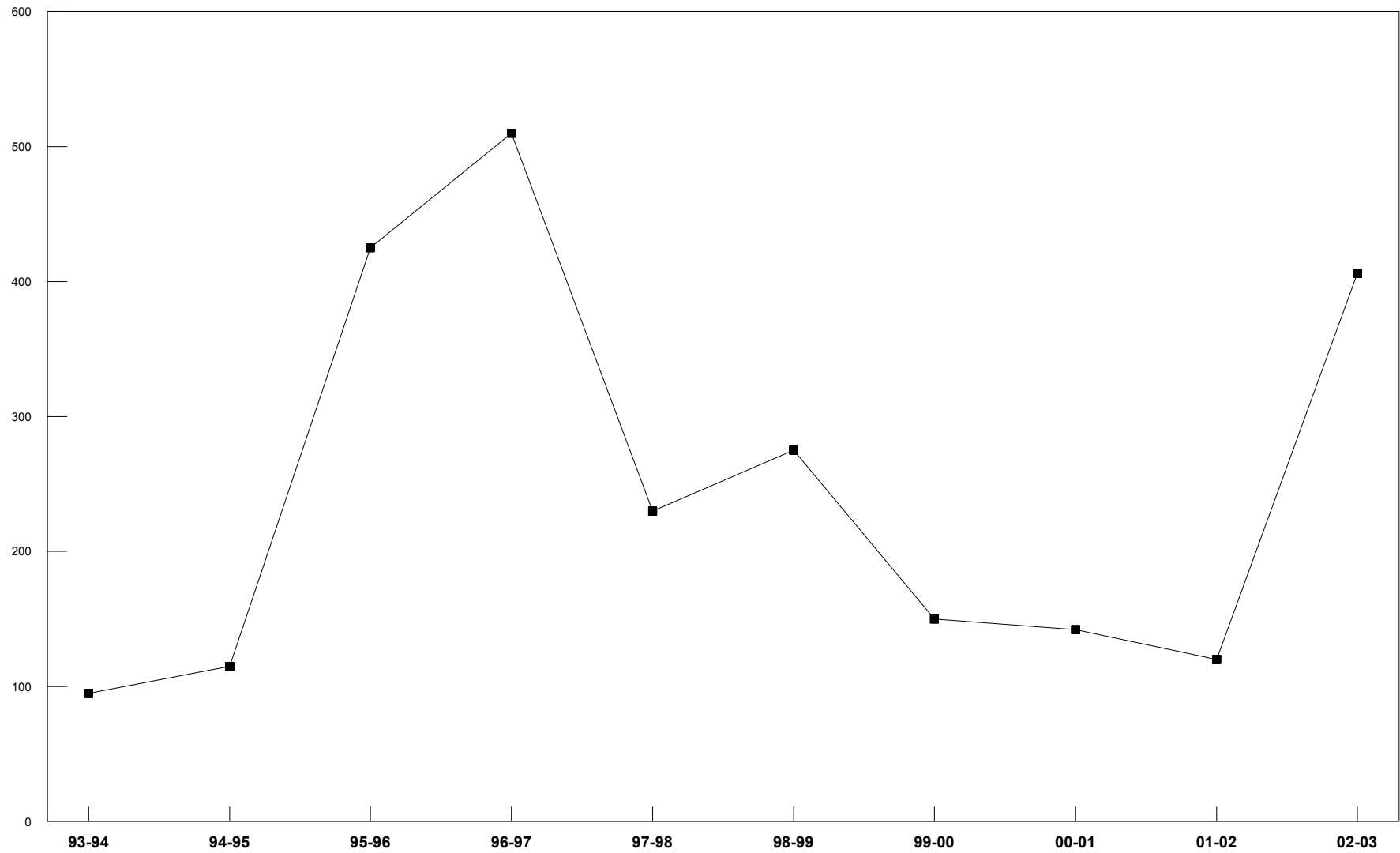
Complaints Received By Year For Police Department

July 1993 - June 2003



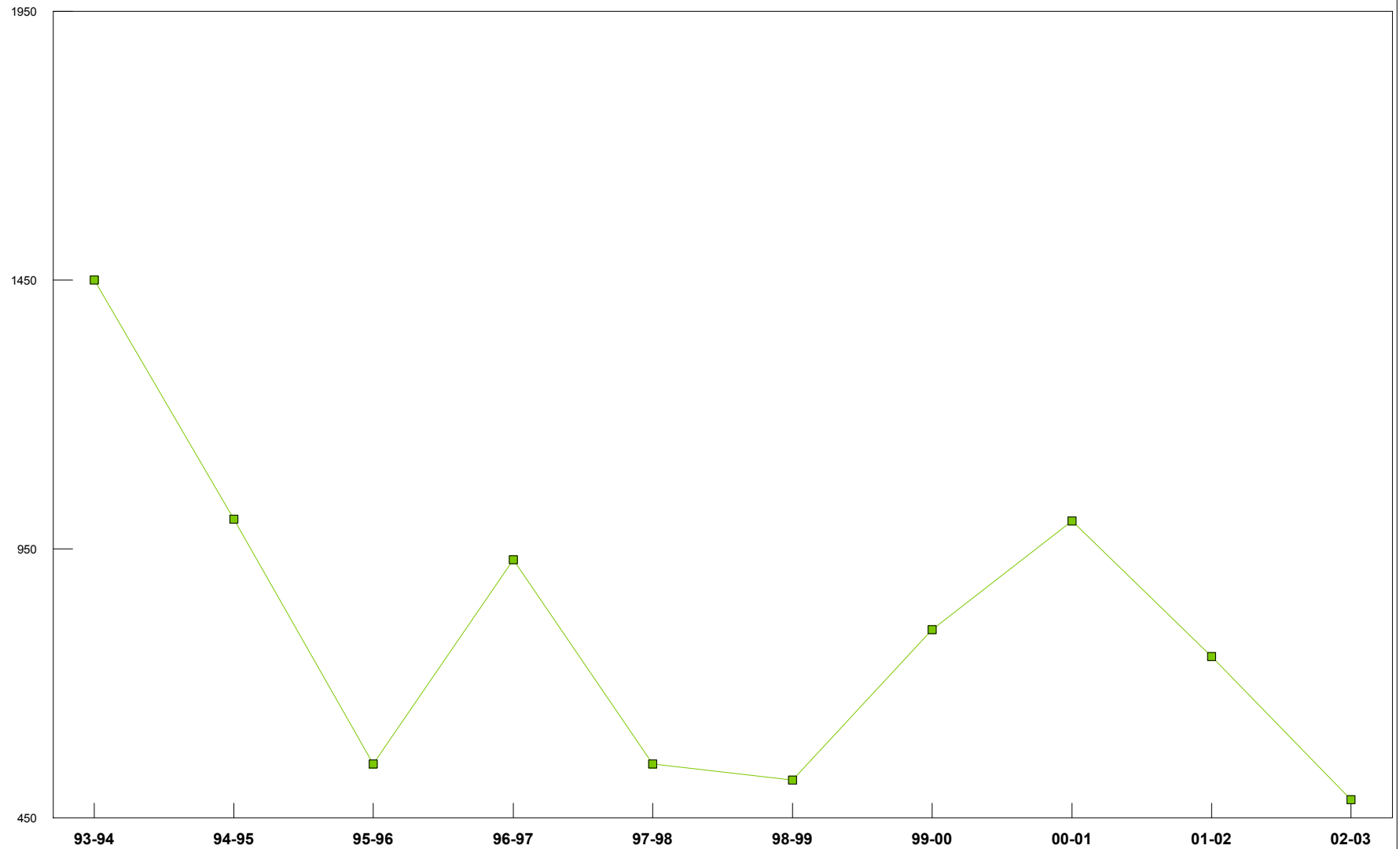
Complaints Received By Year For Public Lighting Department

July 1993 - June 2003



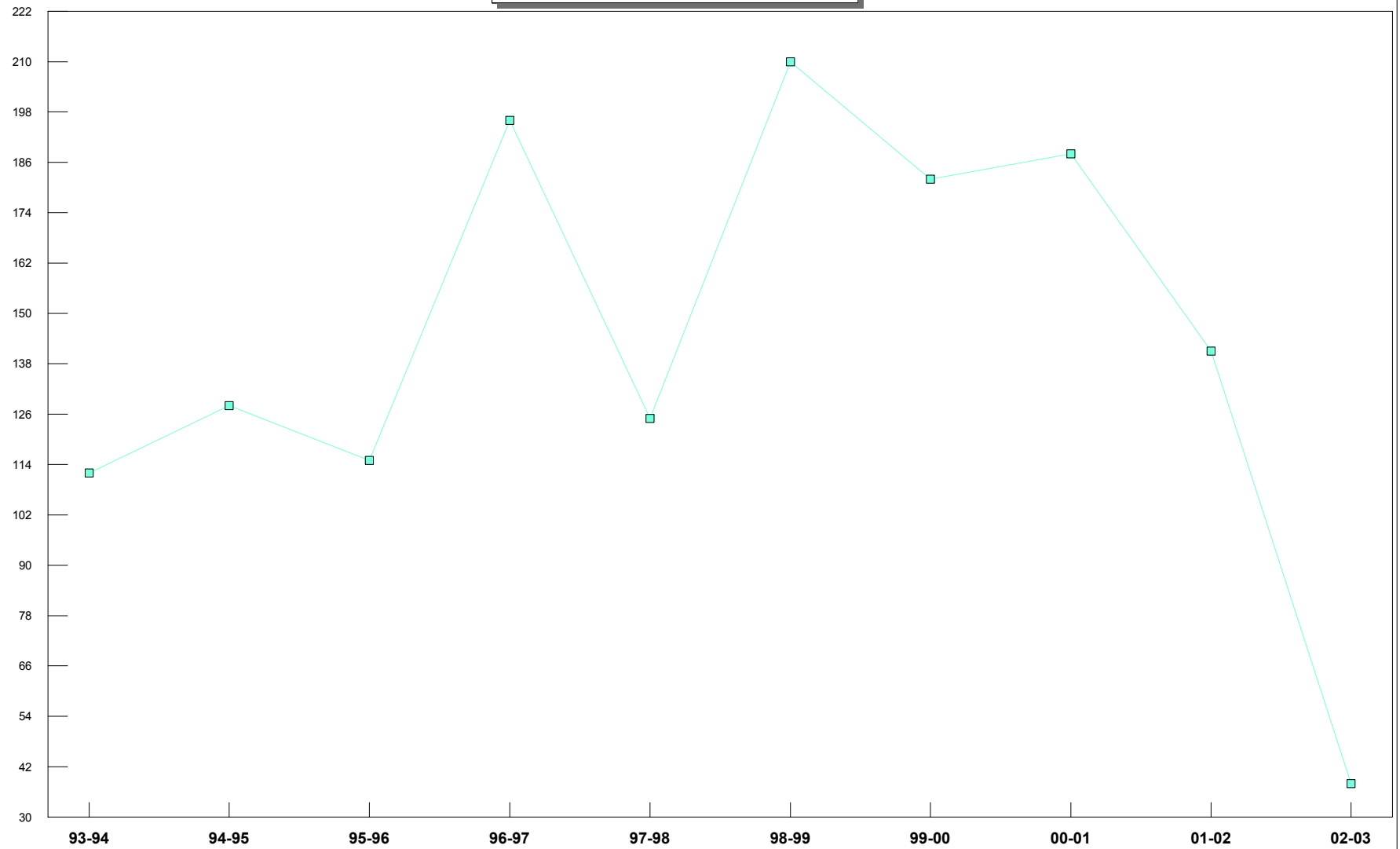
Complaints Received By Year For Department of Public Works

July 1993 - June 2003



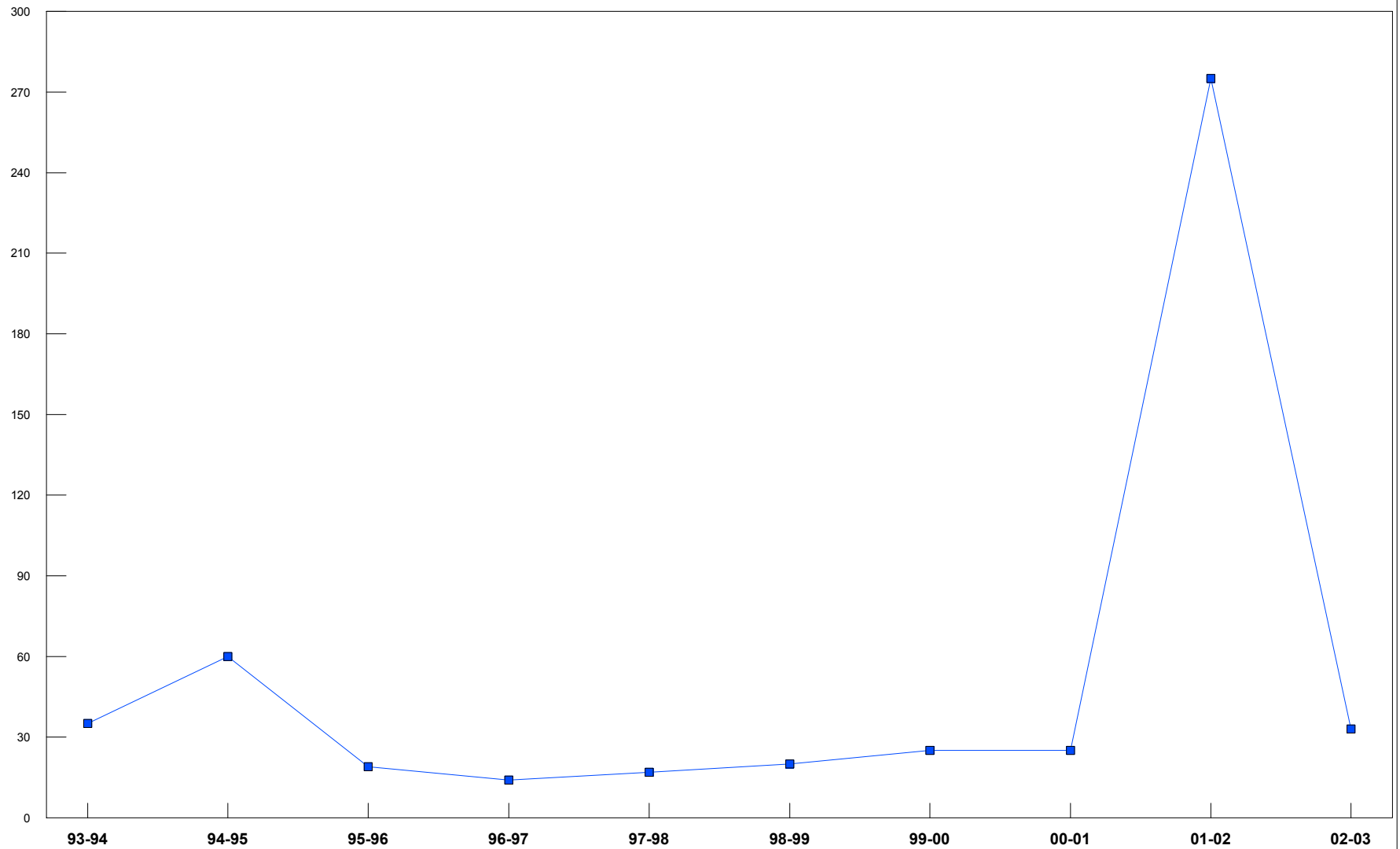
Complaints Received By Year For Recreation Department

July 1993 - June 2003



Complaints Received By Year For Detroit Department of Transportation

July 1993 - June 2003



Complaints Received By Year For Water & Sewerage Department

July 1993 - June 2003

